IMPACT OF MULTI FIBRE AGREEMENT (MFA) PHASE-OUT ON TEXTILE TRADE BETWEEN INDIA AND EU (EUROPEAN UNION)

ABSTRACT

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SABIHA KHATOON

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DR. (MRS.) ASIYA CHAUDHARY
Assistant Professor (SS)

DEPARTMENT OF COMMERCE
ALIGARH MUSLIM UNIVERSITY
ALIGARH-202 002 (INDIA)

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ABSTRACT

"All men by nature desire knowledge"
Aristotle

[All traders by nature desire ways to find profitable trade]

The term 'Trade' is as old as human history itself; as no man has even been sufficient himself. Thus trade emerged with the human civilization. In primitive societies, the trade was in the form of barter system where people used to exchange goods and services. The concept of 'Money' was never thought of. As the time moved on, demands of the individual as well as society diversified and became much more cumbersome than they were in the earlier centuries. Now, the concept of trade has travelled from the primitive concept of barter to that of monetary exchange and from inter-personal to that of international trade. Today, in the globalised era, the trade has multiplied itself many folds. As the world has turned into a global village, the gap between the regions has diminished. Earlier trade was performed through sea routes but now regions have discovered other means as well. Modern and fast transport system has minimised the time and distance. As the scope of trade has widened, more and more resources have been explored and enacted for the interest of mortality. These developments gave birth to newer ideas of international trade.

Given the complex and unwieldy nature of trade, every country tried to protect and nurture its own interest first thus, leading to conflicting situations. In the process of serving their own interest, developed countries often created hindrances and tried to control exports of developing nations while providing subsidies and other benefits to their exporters in order to encourage them to export more.

To be competitive in international market a country should have not only a strong base in the open market but also diversified foreign trade. Soon after the independence, India realized its importance, created a Ministry of Foreign Trade (known as Ministry of Commerce) and added an independent chapter on Foreign Trade to the fourth Five Year Plan. Now, India has become a fast emerging export oriented economy in the world. Government of India has been continuously adopting number of measures for directing exports production in a positive way. Towards this end the measures taken by the Government of India included the setting up of the

Export Promotion Council, constitution of Export Credit and Guarantee Corporation, provision of credit through special financial institutions such as Industrial Development Bank of India, at both the national and state level, creation of a Marketing Development Fund in the Ministry of Commerce for providing export assistance and the setting up of a state trading corporation.

Concurrent with its being one of the top ten industrial producers in the world, India also managed itself to become one of the largest producers of steel in the world. Besides, India ensures to be an important supplier of technical manpower in the world. She is one of the few developing countries that have maintained their form of government since independence from the British Empire. India's domestic market is usually large for a developing country, providing most of the advantages of common market arrangements elsewhere. In spite of all these advantages, India lacks in organization and management.

As regards to textiles trade, it has always remained subjected to quantitative restrictions. Historical data reveals that this sector remains strategic not only for rich countries but also for developing ones. Textiles and clothing sector is highly concentrated in semi-skilled and unskilled labour force. Developing countries have relatively rich textiles and clothing base and the trade in textiles and clothing derive the desire of developing countries to be competitive and innovative in international textiles market.

From the very beginning, developing countries have had a rich textiles base; they have faced restrictive blocks called quotas for the export of textiles and clothing. For more than four decades, textiles export by developing countries has been controlled by the developed countries. Developing countries became a hindrance to the developed countries in terms of textiles export. With a view to protect their domestic market from the competition imposed by the textiles exporters of developing countries, developed countries introduced number of quotas under the head Multifibre Agreement.

EU and U.S. were the main quota imposing countries. Earlier, the agreements - Short Cotton Agreement in 1961 and Long Term Cotton Agreement from 1962 to 1973 (Sengupta, n.d.) were consisted in only cotton, but in the long run these agreements converted into 'Multifibre' agreement, embracing textiles and clothing made from all fibres, (MacDonald.S.2006). While restrictions under MFA closed the opportunity doors for some countries, they actually triggered an increase in exports in international market. Investors shifted their capital base and expertise from highly quota constrained countries to less constrained countries.

Under MFA, the exporting and importing countries had to enter into bilateral agreements subject to constants on export by developing countries. By signing such agreements, the countries were bound to follow the MFA rules. On January 1, 1995, an agreement of WTO on textiles and clothing (ATC) came into existence. It aimed at integrating textiles and clothing into GATT. The process of integration covered the phasing out of restriction under the MFA. ATC laid down a four stage quota liberalization schedule (Naumann, 2006). When ATC came to an end on January 1st, 2005, all quantitative restrictions that existed under MFA ceased to operate and finally MFA was phased out. The main aim behind the removal of quotas and termination of MFA was to liberalize the textiles trade. The removal of quotas brought relief to developing countries particularly for India, China, Bangladesh, and Pakistan. Exporters and importers became free to sell or purchase any amount of textiles and clothing products from any part of the world.

India's trade links with all the regions of the world have advanced over the years. In past few years, Indo-EU relations have nurtured and developed towards establishing a healthier co-operation and partnership. India's obvious interest in EU was due to the fact of EU nations being relatively industrialized, armed with most modern technologies and having definite political influence. Thus India strived to cover all the fields of trade and investment, political linkages as well as cultural exchanges. The flourishing relations, dependence, co-operation and understanding between India and EU, indicate India's success in the foreseen direction. Number of delegations met from time to time to energize the Indo-EU relations. The main aim of these delegations has been to redefine and set the policies and programmes of EU regarding Economic and development co-operation with India. EU is India's largest trading partner and contributor of a quarter of its exports and a third of its import (Chaudhary, Asiya. Unpublished thesis). India's exports to EU mainly comprise textiles, garments, leather goods, gems and jewellery, carpets and a small portion of engineering goods.

Like any other developing countries, textiles and clothing play a very significant role in Indian economy. Indian textiles industry is one of the oldest industries of the nation. It is the second largest employers after agriculture and the top foreign exchange earner of the country. It contributes nearly 4% to GDP, 14% to industrial production and 10.5% to total exports of goods. Indian textile industry is highly fragmented and can be divided into the following segments:

- Cotton Textiles
- Silk Textiles
- Woolen Textiles
- Readymade Garments
- Hand-crafted Textiles
- Jute and Coir

Indian textiles industry has direct linkages with rural economy and agricultural sector. It is believed that every sixth household in the country depends on this sector for its livelihood. The important features that underline the uniqueness of Indian textiles industry include strong raw material production base, a vast pool of skilled and unskilled human resource, low cost labour, good export potential and low import content. Indian textiles industry is a traditional, booming and well-settled industry. It enjoys ample demand in domestic as well as in global markets. India's textiles export to the world has augmented in recent years. In 2008-09, the total export was USD 21,057.06 million and reached to USD 33,161.74 million in 2011-12, registering an increment of 19.43%. In the last few years, India also observed an improvement in the import of textiles and clothing. It reached to be USD 3,436.26 million in 2009-10. In 2010-11, it experienced a growth of 21.62% and reached to USD 5,191.44 million. In 2011-12, it further observed a growth of the rate of 0.002%, (Ministry of Textiles, GOI).

Simultaneously, in EU, Textiles and Clothing industry occupy an important place among other industries. EU's textiles and clothing industry contribute nearly 6% of employment in manufacturing sector and 32% of total merchandise's export (Euratex, 2012). In international market, India's textiles and clothing exports have increased over the recent years, particularly after the phase-out of MFA. EU is a leading producer of textiles and clothing among the developed nations. EU is both an important importer and exporter of textiles and clothing. After the removal of quotas under MFA, EU's textiles industry faced intense competition from lower-cost developing countries. In recent years, EU has faced a sharp decline in employment rate in textiles and clothing sector because of shutting down of enterprises. One of the most important factors that affected the competitive spirit of EU's textile industry was the global meltdown. At the same time, India also felt the adverse affects of global recession, in almost every sector. Despite the global recession, the relations between India and EU have improved over the past years. EU has proved to be the largest trade partner of India. After the elimination of quantitative restrictions under the MFA, both the nations are striving to capture a largest possible share in international textiles market. After the phase-out of MFA, India's textiles exports to EU have increased considerably. Luxembourg has registered itself as the most attractive export destination of India amongst the 27 members of EU. India's textile export to EU has increased from Euro 2.04 million in 2005 to Euro 2.624 million in 2011, whereas the export of clothing has increased from Euro 3.239 million to Euro 4.563 million during the same span of time. Though import of textiles from EU has not increased much, the reason is India herself has a rich textiles base. With a view to strengthen the trade relation particularly textiles trade between these two nations, Government of India has been continuously adopting number of measures. In order to attract more FDI from EU in Indian textiles sector, government has liberalized the policies. Government of India has allowed 100% FDI in textiles sector under automatic rout and has setup FDI cell to attract more FDI. Now, foreign investors are not required to get the prior approval from the government of India or RBI up to the extent permitted under the automatic route.

Objectives of the Study

To access the performance of textiles trade between India and EU and measure the impact of Multi Fibre Agreement (MFA) Phase-out on Textiles Trade between these two nations the present study has the following objectives:

1. To explore and understand the origin of Multi Fibre Agreement (MFA) and its implications on textile industry in India and EU.
2. To identify the parameters used to measure the impact of MFA phase-out on textiles trade between India and EU.

3. To measure the impact of MFA phase-out on textiles trade between India and EU.

4. To make a comparative analyses of the textiles trade between India and EU during Pre and Post MFA phase-out period.

5. To bring out the existing problems, after examining the complete situation and giving suggestions thereafter.

Scope of the Study

The present study is significant from various aspects. The study would contribute to the manufacturers of textile and textile products, exporters and importers of textiles and textile products, investors, and the public at large. The following points highlight the significance of the present study:

- The present study covers a period of 16 years from 1997-98 to 2012-13 to analyse the possible effects of MFA phase-out on textile trade between India and E.U. Period from 1997-98 to 2004-05 is taken as Pre MFA Phase-out period and from 2005-06 to 2012-13 is taken as Post MFA Phase-out period.
- The study aims at exploring the trend in textile industry of India and E.U.
- It examines the trade relations of India with 27 members of EU with special focus on textile trade.
- It discusses the plans and policies framed by the Government of India for the enhancement of textiles trade between these two nations.
- It also talks about the problems faced by the investors and textiles exporters of India and EU.

Research Gap

From the comprehensive literature review, the researcher came to the conclusion that a number of studies on the impact of MFA phase-out have been done. However, none of these studies provide analysis of the impact of MFA phase-out on textile trade between India and EU. No detailed study has been undertaken in this field.

Thus the research gap that exists is the study about the impact of Multifibre Agreement Phase-out on Textiles Trade between India and EU. In order to fulfill this gap, the present study covers the economy of E.U. member nations and their trade relations with India. Textiles industry of India and E.U. and potentiality of India's textiles trade with EU as a whole has been traced. Impact of removal of quotas under MFA on their textile trade relations has been measured between Pre and Post period.

Hypotheses of the Study

Based on extensive literature survey, relevant hypotheses were generated for the purpose of achieving the objectives of the study. The following hypotheses have been generated in respect of this study:

Hypothesis 1

Null Hypothesis (H_0) - There is no significant variation in India's Textile Export to EU between Pre and Post MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant variation in India's Textile Export to EU between Pre and Post MFA phase-out.

Hypothesis 2

Null Hypothesis (H_0) - There is no significant variation in India's Textile Import from EU between Pre and Post MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant variation in India's Textile Import from EU between Pre and Post MFA phase-out.

Hypothesis 3

Null Hypothesis (H_0) - There is no significant variation in EU's FDI in Indian Textile Industry between Pre and Post MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant variation in EU's FDI in Indian Textile Industry between Pre and Post MFA phase-out.

Hypothesis 4

Null Hypothesis (H_0) - There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textile Exports to EU before MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textiles Export to EU before MFA phase-out.

Hypothesis 5

Null Hypothesis (H_0) - There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textiles Export to EU after MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textiles Export to EU after MFA phase-out.

Hypothesis 6

Null Hypothesis (H_0) - There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU before MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU before MFA phase-out.

Hypothesis 7

Null Hypothesis (H_0) - There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU after MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU after MFA phase-out.

Methodology of the Study

In order to perform the research work, the present study entirely depends on secondary and tertiary sources of data. The secondary data has been gathered from the following sources:

- The year book of financial static and directions of trade statistics IMF publication various issues.
- The Europa year book, Faro East Asia and Indian year book.
- Eurostat year book.
- Government publications of India and other countries such as issues of white paper on international trade and newsletters of different countries.
- Data regarding composition of India's trade collected from various issues of statistics of Foreign Trade of India by countries.
- Annual reports of Ministry of Textile, Government of India.
- Annual reports of European Commission.

Tools for Analyses

In order to measure the impact of MFA phase-out on textile trade between India and EU, two methods have been applied with the help of SPSS:

- Simple Regression Model
- Paired Samples T-Test.

Organization of the study

In order to accomplish the objectives of the study, entire work has been divided into six chapters:

The **First Chapter** gives a synoptical view of the entire research work. It highlights the core objectives of the study. Besides, hypotheses relating to the study, statement of the problem, scope of the study, methodology adopted, review of literature, research gap and limitations have also been covered in this chapter.

The Second Chapter, titled 'Multi-fibre Agreement' elucidates the factors that were responsible for the emergence of MFA. The four stages of the removal of MFA and outcomes under it have been discussed. It throws light on the role of WTO's Agreement on Textile and Clothing (ATC) in integrating the textile and clothing into GATT. Effects of quota regime on developed and developing countries and the countries that emerged as winners after the removal of quotas have also been outlined in this chapter.

The Third Chapter, titled 'European Union' gives an insight about the formation of European Union. Historical background of EU, treaties, governing institutes, advisory bodies, financial bodies of EU have been discussed in a nutshell. Enlargement of EU and countries that joined EU and became its member have also been canvassed. Economy of 27 members of EU has been briefly reviewed in this chapter.

In Fourth Chapter, titled 'India-EU Trade' discusses the trade relations of India with EU with special reference to textiles trade. Textiles industry of India and its top ten textiles export destinations and import partners have been analysed in this chapter. What India and EU are gaining from each other in terms of textiles trade has also been ascertained in this chapter.

Chapter Five deals with the analysis and interpretation of the data. Statistical tools have been applied with a view to appraise the formulated hypotheses and measure the impact of MFA phase-out on textiles trade between India and EU.

Chapter Six titled 'Findings, Conclusions and Suggestions' presents the summary of the complete research work. An attempt has also been made to put forward some suggestions depending upon the study, research and conclusion.

Limitations of the Study:

Major thrust of the study relies on secondary sources of data which have been derived from published annual reports, surveys, websites, broadcast, and other relevant resources; so it is subject to some limitations. The study is based on the data and information relating to sixteen years' period from 1997 to 2012. The data regarding export and import was available for the years before 1997 but the data for EU's FDI in Indian textiles industry was not available for the same year. More data and information would have made this study even comprehensive.

While collecting the data, it was found that the data was not uniformly available. What emerged as the biggest limitation of the present study was the availability/unavailability of the data regarding India's trade with all the members of EU for same years. However, data pertaining to India's textiles trade with only selected EU member nations for limited years could be gathered. Due to this limitation, aggregate data with respect to textiles trade of India with EU as a whole has been taken into account. Moreover while conducting the study the researcher found a noticeable variation in data available on European Commission's website. As a matter of fact, in order to measure the impact of MFA phase-out on textile trade between India and EU, the study is confined to three parameters i.e. Export, Import, and FDI. However, there are many other factors such as employment, cost competitiveness, technology, among others that are not considered in the present study.

Findings of the Study:

Based on data analysis and hypothesis testing following findings have been generated:

- To find out the significant variations in India's textiles export to EU between pre and post MFA phase-out, Paired Samples T-test has been used. The researcher noticed a significant change in India's export to EU, it indicates that the removal of quotas stimulated this labour-intensive sector to increase its productivity in India. Moreover this led to the allocation of productive resources more efficiently as compared to the pre-MFA period. Furthermore the removal of quotas led an increment in the output level of textile and clothing sector in India, whereas the output level decreased in EU countries.

- India's textile import from EU also increased after the phase-out of MFA. Because of the elimination of quotas buyers were free to buy any amount of textile and apparel from any country. However, the amount of India's import of textiles from EU was reportedly less than the amount of exports. Because of decline in output level of textile and clothing in EU nations. After the phase-out of MFA, India began to be exporting more of textiles and clothing products than EU countries.

- To find out the variations in EU's FDI in Indian textile industry between pre and post MFA phase-out, Paired samples t-test was employed. Significant changes are observed between pre and post MFA phase-out. As, EU had diversified into investment in other countries, its investment in Indian textiles industry went on declining past 2005. After 2005 it started making investment in other countries more than in India because India has a significant cost disadvantage in manufacturing of cotton yarn, man-made yarn, cotton fabric and man-made fabric (ICRA Management Consulting Services Ltd, 2009). In addition to this, Indian T&C manufacturers and exporters have to incur additional cost on non-refund of state level taxes and duties, anomaly in duty drawback rates; the rates are insufficient to neutralize the incident of all duties and high transaction costs (ICRA Management Consulting Services Ltd, 2009). Lack of infrastructural facilities also discourages foreign investors to invest in India.

- To measure the impact of EU's FDI in Indian Textiles Industry on India's textiles export to EU before the phase-out of MFA simple linear regression model was applied. Before the phase-out of MFA, the investment by EU in Indian Textiles Industry was not much impressive and was almost stagnant in some years, but its impact on India's textiles export to EU was significant.

- Impact of EU's FDI in Indian Textiles Industry on India's textiles export after the phase-out of MFA was analysed by applying Simple Linear Regression Model. After the removal of quotas i.e. after 2005, EU's investment increased, but this increment was not affecting. As far as the impact of EU's FDI on India's textiles export is concerned, it is insignificant after the phase-out of MFA.
- In order to analyse the impact of EU's FDI in Indian Textiles Industry on India's textiles import from EU before the phase-out of MFA, simple linear regression model was brought into use. The researcher found that both the relationship between EU's FDI in Indian Textiles Industry and India's textiles imports from EU, and the impact of EU's FDI on India's textiles import from EU are considerable.
- It is observed that India's textiles import from EU in post MFA period has no strong relationship with EU's FDI in Indian Textiles Industry. Though EU's investment in Indian Textile Industry increased after the removal of quotas but as far as its impact on India's textiles import to EU is concerned, it is negligible.

Conclusion:

Subject to the above mentioned limitations following conclusion can be drawn:

The foregoing discussion and analysis lead to the conclusion that with the removal of quantitative restrictions especially after 2002, India's textile and clothing exports grew at an impressive rate for the period 2002-2007 with growth in world trade in T&C. As India is an important trade partner of EU, it accounts for about two third of India's textiles export. The trade of goods between these two nations has been strong. India exports a number of products to the EU. Textile and clothing occupies an important place. India's export of textiles and clothing increased after 2004 whereas quantitative restrictions on textiles export stood discontinued. Undoubtedly, India's export growth is slow in comparison to that of China, but at the same time it is impressive also because this growth occurred under the dark shadow of the factors that were considered as obstacles in Indian production in textiles and apparel: technological obsolescence, fragmented capacities, low scales of operation, lack of an exit policy and rigid labour laws.

Besides, emerging as the biggest gainer among the South Asian countries after the phase-out of MFA, India also and became the leading textiles exporter to EU. The data in table 5.5.1 and table 5.5.2, reveals fluctuating trend, the reason may be that in spite of the fact that all quotas have been completely removed, Indian textiles exporters are still facing trade barriers from EU. Indian exporters are of the view that in EU the speed of liberalization is very slow especially in case of those products where India holds a trade interest. Moreover in certain nations of EU, Indian textiles and clothing products are bearing the burden of additional technical barriers in the form of strict technical standard requirements not comparable with the price and functional use of these items. Apart from these factors, there are other reasons as well which act as barrier to the export of Indian textiles in international market. In the year 2007-08, Indian textiles export faced a sharp decline because of appreciation in Indian rupee visa-vis the USD. Since 2008, Indian textiles export has continued to decline. The main reason for this decline was the global meltdown and economic slowdown in international market. No doubt India is efficient in textiles productions but if we look towards the condition and working system of Indian Textiles Industry inside out, we find various deficiencies. India lays so much emphasis on the export of cotton textiles and synthetic textiles come second. There are only few items that dominate the export basket of India. Women's outerwear contribution of 40% of the total and men's of 20% share, are the two main items that dominate India's textiles exports (Ramachandran, 2001). Other textiles items are not in regular export. India's unimpressive investment in state-of-the-art is another reason for India's low export competitive spirit.

India possesses the largest number of looms to weave fabrics, comprising 64% of the world's installed looms (Shetty, 2001). But most of the looms are dominated by handloom and powerloom sectors, which largely use old equipments and outdated technologies thus resulting in low quality products.

As far as India's textiles import from EU is concerned, it is many times lower than that of exports. The reason is India itself has a strong base of textiles and clothing. Indian textile industry is one of the key textile industries in the world. Though few years back, this industry was unorganized but after the economic liberalization in 1991, the scenario of Indian textiles industry stated a change. The opening up of economies made Indian textiles industry one of the largest textile industries in the world. It comprises the unique position as an autonomous industry from the production of raw materials to the dispatch of final products.

Though India has a rich textiles base and enjoys good textiles trade relations with EU but still the position of EU's investment in Indian textiles industry is not satisfactory. There is no noticeable change in investment pattern of EU in Indian textiles industry after the phase-out of MFA. The situation is almost the same as before the phase-out of MFA. EU investors experience lots of problems in doing business with India on the account of long legal procedures, licensing policies, bureaucratic hurdles, high tariffs, lack of transparency, limitations for investment in Indian Equity by Foreign companies and so on. All these limitations act as barriers to attracting FDI from EU in Indian textiles industry.

During the last two decades, EU emerged as one of India's major trading partners. As far as Indian textiles trade pattern with EU is concerned the situation is favorable. India's textile trade with EU has significantly increased after the phase-out of MFA as many others EU members have entered into trade agreements with India after the phase-out of MFA.

Suggestions:

Though India and EU are enjoying cordial relations but still textile trade relations between these nations need significant developments especially in the areas of investment. India is experiencing fluctuating trade balance with EU even after the phase-out of MFA. In order to normalize this fluctuation, India has to make significant efforts to increase its export to EU. EU being the well-off and fashion oriented society where the consumers often act under the strong demonstrating effects can be tapped. On the other hand, Indian textile industry with the accumulated experience of centuries can definitely achieve this target. Hence, there seems a total horizon of opportunities in the form of twenty seven member countries of EU for Indian exporters. However, in order to seize and capitalize this opportunity and encourage EU to invest in Indian textile industry, Indian exporters need to sharp their skills. In this process of improvement, certain suggestions discussed below may prove to be instrumental:

1. **Investment in Textiles Research:**

Active participation should be made to encourage investment in textiles research. Apart from cotton there are number of areas which still want advanced research like technical textiles, high performance fabrics, among others. Government of India should provide financial supports to the institutions engaged in the work of research and development. This active participation will improve the quality and productivity of cotton for high cost of cotton is one of the main reasons of uncompetitiveness of India's textiles exports. .

2. **High Quality Products:**

EU member nations are affluent and quality conscious. They are further benefited because of the highly developed textile of U.K., Germany, Luxembourg, Italy and other influential countries besides having a vast pool of suppliers from different countries with plethora of variety. Indian exporters therefore need to improve their level of quality of textile products. They have to be very careful right from processing the raw material to the production of finished output and even the packaging. EU is a society where the customers, if satisfied with the quality of the products, can pay any price. Though our textile exporters are satisfied with the quality they are providing but still there is a need of quality improvement, which would pay the Indian textile exporters in the long run to earn goodwill and execute larger trading orders.

3. **Cost Competiveness:**

Textiles is said to be labour intensive industry. India being the country with huge population is presumed to have the advantage of no- labour cost and consequently, low cost of production. However, on the practical aspect, the cost is very high. Moreover, ordinary technology, wastage due to electricity failures, strikes and lockouts among other factors further intensify the cost. Thus Indian exporters are supposed to take care of these factors and control the cost. Many of the competitors like China and Bangladesh are supplying their low cost produce to the low income group consumers. This segment of the market is very gainful at EU and therefore Indian exporters have to complete counterparts by maintaining the cost of their products.

4. **Investment in Training:**

No doubt India has a vast pool of skilled and unskilled labour force, but this labour force lags behind in terms of training. So in order to get maximum and quality work, investment in advanced training programmes is needed. Proper training should also be provided to handloom weavers, handicraft artisans and jute artisan so that they can produce diversified and innovative products and can improve the quality of their work to meet the changing trends in international market. This will be an accretion to the export of Indian textiles to EU market.

5. **Infrastructure:**

In India the availability of power is very crucial. In India the states where a considerable section of textiles industry is located are facing the problems of poor supply and a very high cost of power because of high road tax and high excise duty on fuel oil. So in order to compete in a quota-free trade scenario and strengthen its textiles trade relations with EU, India is required to make improvement in infrastructure base, particularly availability of power to textile and clothing units. India should permit the key textiles and clothing areas to have a distributive generation model for power.

6. **Tariff and Non-Tariff Barriers:**

Tariff and non-tariff barriers act as stoppers in the way of trade. Though tariff barriers are there but they are not so major as non-tariff barriers like technical standards, governmental standards and certification, which contributes to a decline in trade. Indian exporters are continuously facing these types of barriers along with strict regulation regarding packaging and labeling in EU market. EU should work to remove these barriers with good cooperation and coordination. If EU reduces these barriers, it will lead to an increment in textile exporters from India.

7. **Proper Segmentation:**

As EU is the largest Union with 27 member nations, it is impossible to approach the whole market in a single stroke and get satisfactory results. So in order to meet the specification of different group of consumers the whole EU market should be thoroughly segmented i.e. divided on the basis of country, culture, age, sex, and class. Later on, the search should be made to find out the specification of different segments. These specifications then can easily be handled by the Indian exporters, as a result increasing their exports.

8. Honouring Small Orders:

There are various member nations of EU, like Luxembourg, Greece, Ireland, and others where India has little access. In order to penetrate these markets, it will be advisable for Indian exporters to initiate by honouring small orders first. By doing so Indian exporters can get larger orders.

As against this Indian exporters want to initiate with big orders and earn huge profits and therefore prefer the markets where they already have strong hold like, UK, Germany, and other promoting nations. Thus, they need to change their attitude and start honouring small orders as well.

9. Adoption of New Technology:

Indian textile industries are still running on outdated and obsolete methods and machines. Though modernization has taken place, we still lag behind. International market is full of strong players with latest technologies and if we want to stand in the market and face competition we have to update ourselves. Thus, it makes necessary to transfer and adopt latest and selective technology. On the short run it causes heavy outflow of foreign exchange but in the long run the selective technological imports will fetch huge amount of foreign exchange.

The latest technology would enable are exporters to face and fight the closest textile competitors like China, Japan, etc. and also increase their share in the EU market. India should put extra focus to develop a strong technological base to attract foreign investors.

10. Dynamic:

World changes fast with time and so does the demand. Indian exporters should be dynamic and have proper and thorough knowledge regarding the latest changes in the EU economy, demand, socio-economic situation, socio-political conditions, fashion trends, latest substitution, and other changes. in the EU member countries and should be ready to adopt the changes and produce accordingly.

11. Banking and Insurance Facilities:

No exporting nations can have a breakthrough in the world markets without the synchronized efforts on the parts of its banks and insurance companies.

Our banks, as they are today, have yet to make their presence felt to the EU nations. Attempts have been made by Indian banks and other companies to enlarge their networks of overseas branches staffed by well informed, trained and well versed agents and employees who would be constantly on the lookout for opportunities and able to offer proper guidance and assistance to our visiting businessman and prospective exporters.

12. Single Window Approach:

The government of India has broadly categorized the products with long term with great precision. Special measures have been undertaken to secure their development and improvement to meet the international standards. Textile is one of their assistance. Attention has also been given for consolidating the position of the established export items in overseas markets. Under the single window market the government provides all the raw material, export credit and infrastructural facilities to the sectors so indentified, at concessional rates. This would enable the exporters to produce high quality goods at a reasonable cost.

13. Credit:

India is considered to be a high cost economy due to its low productivity and high cost infrastructural, banking.

Other countries provide export credit at a very low rate where as in India the rate of interest on export credit is quite high. It is suggested that low cost credit, high quality raw material; at reasonable prices and appropriate infrastructural facilities should be provided to the exporters. This will enable them to be more competitive with improved quality and reduced cost of production.

14. **Technical Skills:**

Indian textiles industry lags behind in technically skilled manpower as compared to other countries. There are very little numbers of technical programmes to bring technological changes in the textile sector. Moreover Indian textile firms invest very little to provide training and guidance to their employees and ultimately this gives birth to unskilled and semiskilled labours. So initiatives should be taken to provide technical courses at graduate level. Moreover Indian textile firms should offer enough training and development programmes to sharpen the skills of the labour. India should focus on the development of human capital. This will lead to increased production and exporters will be able to strengthen their relations with EU member nations. Besides production and export, this will help India to attract more FDI in its textiles sector.

15. **Packaging:**

Packaging plays a very important role in attracting the customers as well as preserving the products from breakage, spoilage or damages. Good and attractive packaging leaves lasting impression in the minds of the customers. Customers feel tempted to buy the product. Though India has made appreciable progress yet more efforts are to be made in export items in order to make them more attractively presented and safely reached to the overseas destinations. Once well packed, the customers, who are quality conscious, are ready to pay even higher prices.

16. **Delivery Schedule:**

Indian exporters lack value for time. They pay very little importance to punctuality and thus very little weightage to the delivery schedules, which loses their reputation and consequently mitigate the prospects of getting further orders. A safe margin of time should be able to stick to the delivery schedule and satisfy the importers abroad.

17. **Approach the service of specialized trading agencies:**

In the selected countries many organizations provide the specialized services to facilitate smooth trading in the country. Indian exporters should seek their services too and make their presence felt in the market.

18. Regulatory Framework:

In India the duty structure is in favour of import of finished products. As far as the import of raw material is concerned, it is very discouraging. In order to increase the import, India should dismantle the regulations.

19. Incentive Packages:

India has allowed 100% FDI under automatic route in Textiles sector and no approval is required either from government or RBI. With a view to attract foreign investors, incentives packages in the form of concessions in taxes, capital, interest subsidies, land at concessional rate should be offered. This will encourage the EU investors to invest in different projects under textiles sector.

20. Business Environment:

If we talk in terms of business environment, India is not healthy, which is discouraging for doing business. Child labour, Labour market rigidity, lack of facilities at ports and airports, excessive bureaucracy, corruption and many such factors discouraging foreign investors to invest in India.

21. Merger and Acquisitions (M&As):

M&A is an important tool to attract FDI. Many Indian midsize companies in textiles sector are looking towards M&A with foreign companies. For the rapid growth of Indian textiles industry and to strengthen its relationship with EU, efforts should be made to upgrade the textiles engineering industry, technology transfer and promotion of joint venture. In order to achieve these objectives there should be a combination of routes like there should be a joint venture with EU textiles machinery manufacturers, technology transfer should be encouraged through the route of re-engineering. It would provide opportunities for the investors of both the nations to enter in each other's textiles market.

22. Export Promotion Council:

Export Promotion Councils have the responsibility towards industry, foreign market and individuals. These responsibilities focus on the council's primary objective of facilitating the Indian industries entry and exploitation of foreign markets. These councils encourage quality, low cost of production and fetch better prices in the market as well and serve the interests of domestic markets, industry and commerce. With a view to meet these responsibilities council must be permitted to develop and run their own programmes. Government of India has been continuously supporting textiles sector through various export promotion councils. All Indian textiles exporters should take the benefit from these promotion councils without contracting the interest of each other.

23. Protection of Intellectual Property Rights:

India should enter into technology licensing agreements with EU nations in order to import technological and managerial know-how. With the increased use of latest technologies, the importance of Intellectual Property Rights has also multiplied. India imports the technologies from the world's most developed countries through Foreign Direct Investment of multinational companies. Respect and protection of their IP rights is a mandatory for host country. As far as India is concerned, the protection of IP rights is very poor and because of this fact foreign investors are diversifying their investment in other countries particularly in China. If India put special focus towards IP rights protection comparable to China, it will attract more FDI and will be able to generate huge benefits for the economy and people.

Scope for Future Research:

The present study focuses on the origin of Multi-Fiber Agreement, its phase-out, European Union and its textile relations with India, with a view to find out what changes in textile trade between India and EU have occurred after the phase-out of MFA. There are many areas which have not been considered yet.

Following are some of the areas for future study in this regard:

1. A study of the impact of MFA Phase-out on India's Textile and Apparel trade with the other BRIC nations i.e. with Brazil, Russia and China.

2. A study of changes in textile and apparel trade of emerging countries in South and South East Asia like Indonesia, Thailand, Malaysia, Singapore, Vietnam, and other after the termination of Multi-fibre Agreement.

3. A study of the performance of textile trade of India with the richest nation of EU in terms of GDP after MFA.

4. A study of the performance of employment in textile mills of India between Pre and Post MFA phase-out.

5. A study of cost competitiveness in textiles industry of India and China.

6. A study of role of TMB (Textiles Monitoring Body) regarding developing countries after the removal of quotas.

7. A study of Initiatives taken by the government of EU member nations regarding textile trade with India after the phase-out of MFA.

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IMPACT OF MULTI FIBRE AGREEMENT (MFA) PHASE-OUT ON TEXTILE TRADE BETWEEN INDIA AND EU (EUROPEAN UNION)

THESIS

SUBMITTED FOR THE AWARD OF THE DEGREE OF

Doctor of Philosophy

IN

COMMERCE

BY

SABIHA KHATOON

UNDER THE SUPERVISION OF

DR. (MRS.) ASIYA CHAUDHARY

Assistant Professor (SS)

DEPARTMENT OF COMMERCE
ALIGARH MUSLIM UNIVERSITY
ALIGARH-202002 (INDIA)

2014

Fed in Computer

Dedication

This Work is

Dedicated

to

My Mother

DEPARTMENT OF COMMERCE
ALIGARH MUSLIM UNIVERSITY
ALIGARH-202002 (INDIA)

Ref No………………. *Dated:* 11/08/14

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I, **Sabiha Khatoon**, Department of **Commerce, AMU** certify that the work embodied in this Ph.D. thesis is my own bonafide work carried out by me under the supervision of **Dr. Mrs. Asiya Chaudhary** at Department of Commerce, Aligarh Muslim University, Aligarh. The matter embodied in this Ph.D. thesis has not been submitted for the award of any other degree.

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Dr. (Mrs.) Asiya Chaudhary(ss)
Assistant Professor
Department of Commerce
Aligarh Muslim University, Aligarh

11/8/14

CHAIRMAN
Department of Commerce
Aligarh Muslim University
ALIGARH

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ANNEXURE-II

COURSE/COMPREHENSIVE EXAMINATION/PRE-SUBMISSION SEMINAR COMPLETION CERTIFICATE

This is to certify that **Ms. Sabiha Khatoon**, Research Scholar, Department of Commerce has satisfactorily completed the course work/comprehensive examination and pre-submission requirement which is part of her Ph.D. programme.

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Acknowledgment

In the Name of Allah, the Most Gracious, the Most Merciful

"He will not be thankful to Allah, he who would not be thankful to people"

Prophet Mohammed (Peace be upon Him)
(Corrected-Reported by Tirmethee)

All praise is due to **Allah (Subhanahu wa ta'ala)** alone, I seek aid and forgiveness. I testify that there is no God but Allah, and that **Mohammed (Peace be upon Him)** is His slave and messenger. At the very outset I thank Allah (**Subhanahu wa ta'ala**) for giving me the motivation, patience, and strength to complete this research work. With Allah's will and mercy I have been able to achieve all of this.

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Khatoon

Sabiha Khatoon

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
BRIC	Brazil, Russia, India and China
CEFTA	Central European Free Trade Agreement
CFSP	Common Foreign and Security Policy
CoR	Committee of the Regions
DGCIS	Directorate General of Commercial Intelligence and Statistics
DIPP	Department of Industrial Policy and promotion
EAEC	European Atomic Energy Community
ECSC	European Coal and Steel Community
EEC	European Economic Community
EMU	Economics and Monetary Union
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Area
GATT	General Agreement on Textiles and Trade
GDP	Gross Domestic Product
GOI	Government of India
IMF	International Monetary Fund
ITI	Indian Textiles Industry
JHA	Justice and Home Affairs
LDC	Less Developed Countries'
LTA	Long Term Agreement
MFA	Multi-Fibre Agreement
MFN	Most Favored-Nation
MMF	Man-Made Fibre
NAFTA	North American Free Trade Area
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic Co-operation and Development
PTA	Preferential Trade Agreement
R&D	Research & Development

RBI	Reserve Bank of India
SSI	Small Scale Industrial Undertakings
STA	Short Term Agreement
T & C	Textiles & Clothing
TMB	Textiles Monitoring Body
USD	United Standard Dollar
WTO	World Trade Organization

Chapter-1

Chapter 1

BACKGROUND OF THE STUDY

1.1. Introduction

1.2. Statement of the Problems

1.3. Literature Review

1.4. Research Gap

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1.7. Hypothesis of the Study

1.8. Research Methodology of the Study

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1.1 Introduction

The imprints of the development of human civilization tell that in the earlier phases of life man lived a simple life. But as the socio-economic activities increased, the inter-dependence and wants and desires of man has also amplified. In the present scenario, the economic obligations of man have magnified so much that even the nations are not considered capable to satisfy such economic needs and wants of their respective citizens, paving the way to the international trade.

International trade is a very complex and cumbersome activity, which is influenced by a number of forces with diverse and conflicting interests. Since globalization every country tried to shield the interest of its citizens first, which often lead to conflicting situations. In the desire to protect the interest of their citizens, the countries often create hurdles and try to curtail imports while provide subsidies and other benefits to their producers and exporters in order to promote and motivate them to increase the export.

Almost every country in the world is adopting the strategies to develop and protect their industries with a view to become self-sufficient and to generate some exportable surpluses. In this process many countries have restricted the import of goods and services in their country, while some countries have opened the barriers and are trying to compete and face them in international market.

These efforts gave birth to a relatively newer concept of economic regionalism. EEC, African Common Market, OPEC and Commonwealth of Independent States (CIS) are the examples of economic regionalism. Countries formed these economic regions with different aims and objectives. For instance, the main objective to create OPEC and Commonwealth of Independent States was to protect their domestic market and industry. Economic regions are formed not only to protect their domestic market but also to co-operate and share their resources. The formation of custom union and common market have reduced the differences between economies and brought them close to utilize the available resources and increased their bargaining power in international market.

The degree of benefits of such unifications largely depends on the degree of unification. There are some unions which have their presence only on papers but in reality they are not in working and thus, their consequential benefits are negligible.

On the other hand, a closer regional economic unification led to optimal allocation of factors of production and technological sharing. Such type of unions follows the policy of free trade amongst themselves mainly follow a tough commercial policy while trading with the outside world. European Union is one such reality. The 27 member nations of EU are committed for the growth and development of the region as a whole. On one ground or the other, they try to curtail their share of extra-EU trade while putting special strategic efforts to minimize the imports.

India's import requirements are growing fast and keeping in mind the size of the country and the emerging protectionism, it is not likely that the aid flow will be to the extent of required volume. Thus India is required to increase its exports to the world, which is blessed with a vast pool of natural resources and has attained substantial industrial growth. India with its labour intensive base is capable to explore traditional as well as other type of finished or semi-finished goods. Though India is not a part of EU, but is located in its neighborhood and can easily reap the gains from the development in the regions.

International trade in textile and clothing was governed by a number of quantitative restrictions under the Multi-Fibre Agreement (MFA). This agreement came into action on January 1, 1974 by replacing short term cotton agreement 1961, and long term cotton agreement 1973. Quantitative restrictions under MFA were largely imposed by two main developed countries i.e. European Union and United States to handle market disruptions in their domestic textile and clothing market. The main aim of these restrictions was that EU and U.S. wanted to protect their domestic textile producers from emerging Japanese textile exporters. With the passage of time these restrictions were slowly extended to India, China, Pakistan, Hong Kong, Korea, Taiwan etc. which had a strong textile base. The MFA was finally terminated on January 2005 and brought a relief for Asian Textile producers and exporters. At the time of removal of quotas it was believed that developing countries will definitely gain from the removal. Among other developing countries India and China were the winners and gained a lot from the removal of quotas.

The process of phasing-out of MFA was not done in a single step. It took a time period of ten years i.e. from 1995 to 2005. This time period gave developing countries with rich textile base enough time to adjust themselves to face the challenges in quota free global textile and clothing market. India is one of the rich textiles developing nations whose textile producers and exporters responded very positively after the phase-out of MFA. "They believed that the MFA restricted the textile trade in the global market and its phase-out was a boon to Indian Textile Industry as quotas more or less hindered their trade" (Chuadhary, 2011). After the phase-out of MFA Indian Textile producers have diversified their textile trade by increasing their production base. They adopted new strategies regarding marketing and improved the quality standard of their textile and clothing products.

Textile industry plays a very crucial role in Indian economy. It is the second largest employer after the agriculture sector. It provides direct as well indirect employment to more than 35 million people (Corporate Catalyst India, 2013). India is very desperate to increase its export to the world. Considering the economic prosperity and the consumption patterns of EU, the opportunities seem to be huge. EU is India's largest trading partner. Bilateral trade between the two nations was valued at 75.8 billion Euros during 2012 (India-EU relations, 2013). EU considered India as an attractive trade destination; similarly India is also in the desire to extend its export to EU nations. To analyes the textile trade between India and EU and to find out the impact of MFA phase-out on the textile trade between them the researcher has chosen to work on the research work entitled "Impact of Multi-Fiber Agreement Phase-out on Textile Trade between India and European Union".

1.2 Statement of the Problems

Indian textile industry is one of the oldest industries of the nation. It plays a very important role in Indian economy as it is the second largest employer after agriculture. It provides employment to nearly 35 million people (Corporate Catalyst India, 2013). Indian textile industry dominates an important place because of the fact that it accounts for around 4% of Gross Domestic Product, 14% of Industrial production, 9% of excise collection, 18% of employment in the industrial sector, and 16% of the country's total export earnings (Dun & Bradstreet India, 2011).

The characteristics that make Indian textile industry different from other sectors include strong raw material production base, a vast pool of skilled and unskilled workforce, cheap labour force and good export potential. Because of these features Indian textile industry enjoys a considerable demand in domestic as well as in international market. Like other developing nations India too faced restrictive blocks

› its textile trade. Till the phase-out of MFA it was very difficult for Indian exporters › export their textile and clothing products in international market, particularly in ;U. But as soon as the quotas under MFA were removed and MFA finally phased out n January 2005, Indian textile exporters found their way to enter into EU market.

The trade relations between India and EU are very old. Both the nations placed ıe foundation stone of diplomatic relations in 1960s. Since 1990s, co-operation etween the nations have increased and their trade relationship have institutionalized Wouters, Goddeeris, Natens, & Ciortuz, 2013).

India is one of the leading textile exporters to EU. "Bilateral trade between ndia and EU has reached to 80.2 billion Euros in 2011. EU is also the largest source f Foreign Direct Investment for India. FDI inflows from EU into India increased rom 3.5 billion Euros in 2009 to 7.5 billion Euros in 2010 and 14.19 billion Euros in 011 (India-EU Relations, 2013).

As far as the textile trade between India and EU is concerned, it always emained subject to quantitative restrictions under MFA. At the time of removal of uotas the question of debate was that who will gain and who will lose. It was xpected that India will face some unsatisfactory consequences. The main reason ehind this fear was that quotas were removed from the trade of all the countries. It vas a general perception that countries with high quality standard products will urvive in international market and the countries with relatively low quality standard ike India will be vanished from global market. But Indian textile industry fought hard o remain on the battle ground. Moreover, it has extended its textile export to EU ıarket.

This thesis is particularly focused to identify the changes that took place in extile trade between India and EU after the phase-out of Multi-Fiber Agreement.

.3 Review of Literature

In order to get a clear view of trade relations particularly textiles trade between ndia and E.U. various articles, books, papers and journals have been taken into onsideration. An attempt has been made to briefly review some of the studies that nvestigate the performance of textiles trade between India and EU during Pre and

Post MFA Phase-out period. Here are some of the reviews done exclusively to know the impact of MFA phase-out on textile trade between these two nations.

Baannister (1994) investigated the existence of market power and the sharing of rent in the market for Mexico's exports of apparel to the United States under the MFA. The author tested the existence of perfect markets and rent-sharing for six groups of Mexican apparel exports to the United States between 1981 and 1991; trousers, men's coats, women's coats, woven shirts, and underwear. Consistence differences have found between the unit value of U.S. production and the Mexico export f.o.b. price of the apparel in the U.S. market adjusted for tariffs and transport costs. In present paper the author also tested the alternative explanations for the price difference- difference in composition of Mexican exports and U.S. production, and differences in the quality of Mexican exports and U.S. products. The analysis shows that rent-sharing was only in woven shirts and underwear. In particular, U.S. importers received up to 49 percent of the available rent.

Srinivasan (1996) threw light at some of the emerging issues since the ending of the Uruguay Round (UR) in the World trade system from the perspective of developing countries in Asia. The author focused on two important issues i.e. the linking of trade and the environment, and the proposed "social clause" to the WTO charter relating to labor standards. According to the author developing countries should withstand the action of linking of markets access to performance in non trade-related areas and specially the inclusion of the social clause. Concern is raised that the commitment to the phase-out of the Multi-fibre Agreement (MFA) might be revenged and MFA recreated in effect through antidumping and safeguard measures. The author represented the potential problems with the UR agreement on these measures and the disputes settlement mechanism and addressed the institutional reforms in developing countries related global integration and issues of transparency and corruption.

Spinanger (1998) analyzed what currently influences where we now are four years after the UR (Uruguay Round) ratification. The author argued that apart from tariffs and nontariff barriers, major influences include regional trade agreements, changing locational demands, normal development trends and shifting factor intensities of production. The final results concluded that in spite of backloading liberalization and factors which increase the pressure from major T&C exporting ountries, the wrapping up of the ATC by Jan. 1st, 2005, will be basically tolerated, ven if it is accompanied by some evading and may be postponements.

Chadha, Pohit, Stern and Deardorff (1999) applied the NCAER-UM CGE Model on the potential gains from the removal of quotas under MFA for developing ountries, particularly India. The author concluded that textile and clothing sectors ecome relatively more efficient as a result of reduced trade distortion in these ectors. The production of textile and clothing increase in developing countries, while iese decline in developed regions. The developing nations export more of textiles nd clothing products with corresponding increase originating from the developed egions. Economic welfare and real returns to labour and capital also improve in all articipating regions except NIE (Newly Industrialising Economies) regions.

Knappe (2000) predicted that by 2005-06, major textile and clothing buyers vill reduce by half the number of countries they source from. The challenge for ountries and companies is to remain an important source for these buyers. This rticle explored the coming changes in the market and highlights steps government nd exporters can take now to avoid adverse imports.

Diao and Somwaru, (2001) tried to measure the possible impact of the MFA hase-out on the world economy. By analysing the trends in world textile and apparel rade (T&A), the study found that the developing countries were a growing factor in vorld T&A trade in recent decades. By using trade data of 91 countries over 37 years, he study indicates an effective relationship between trade in textile and apparel and he standard of living. However, about 50 percent of industrial countries' markets are ot available for developing countries so in order to maintain the growth momentum, more open and freer market in the industrial countries is an important condition for leveloping countries on the likely impact of the phase-out of MFA on the world T&A rade. The study found that the phase-out of MFA would widen world trade of T&A nd developing countries will gain market share in world total exports.

James, Ray and Minor, (2002) attempted to examine the challenges that ndonesian textile industry would face after the MFA phase-out and what steps must e taken in order to meet and fight those challenges.

Markees, et.al. (2003) analysed the impact of the Agreement on Textile and Clothing (ATC) and worldwide tariff reduction on textiles and wearing apparel on

Bangladesh. Analysis shows that in both scenarios Bangladesh reduces its wearing apparel production and faces a welfare loss. The main reason is that Bangladesh has free access to its most important export market, the EU. Moreover trade liberalizations are responsible for worsening the position of Bangladesh opposite to its competitors.

Liu & Sun (2004) highlighted the significant differences between the China-specific safeguard provisions in China's WTO accession protocol and the general WTO agreement on safe guards. It also examines the recent case of a US safeguard application against China's textile and clothing products and analyse the potential impact of this case on both countries and the global economy.

Sahoo (2004) provided use full insight into the changes in status and patterns of employment of rural women of weaver communities engaged in handloom enterprises in Orissa. Further it analyses the extent of productive utilization of women of weaver communities, the problems and risk faced by them in their occupation and work environment and suggest effective measures to enable these working women to enhance their socio-economic status and quality of life through provision of better facilities/ welfare support and improved means of livelihood.

Evans & Harrigan (2004) endeavored to examine the possible effects of MFA on the sources and prices of US apparel imports, particularly focused on East Asian exporters during the 1990s. The study found out that there are many quotas that remain unfilled in spite of the fact that a large part of US apparel is imported under binding quotas. The study also showed that binding quotas suggest improvement in quality and rent sharing by the export and at the same time quotas substantially raise import prices. In contrast, tariffs reduce import prices. The authors in this paper argued that the existing shift of US apparel import away from Asia in favor of Mexico and the Caribbean during the 1990s is only partly due to discriminatory policies.

Marouani (2004) assessed the impact of Multifiber Agreement phase-out on unemployment in Tunisia by using general equilibrium model. The author finds that after the phase-out of MFA the unemployment and inequality will increase and a deeper integration with the EU can soften the negative effects of the shock.

Shelton & Wachter (2005) traced the trade in textile and apparel since 1994 and analysed the influences of trade agreements. The authors in their research came to he conclusion that trade agreements influenced the production, manufacturing and ourcing of textile and apparel products, moreover the reconstruction of small and ırge scale industries of the world are required in response to the changes in tradeoff ɜxtile and apparel.

Rangarajan (2005) examined the post- MFA challenges for the textiles and lothing industry in general and India in particular. The author also focused on the trategies for full MFA phase-out from 1st January 2005.

Krishnan & Sonal (2005) analysed the impact of the elimination of textile nd clothing (T&C) quotas in 2005 on India. Their Simulations suggested that while ndian exports of T&C will continue to expand in the presence of the safeguards on ͻhina, they will be affected adversely once these safeguards are lifted. The authors rgued that India could emerge much stronger and diversify its trade in T&C at a nuch faster pace, if some of the notable domestic structural weaknesses are ›vercome.

Bhattacharya and Elliott (2005) examined that the phase out of MFA was a ıig aim of developing countries in the international trade talks that ended in 1994, but t was before the membership of China in WTO and structural changes in the industry nd in U.S. trade policy completely changed the competitive landscape. The authors n this brief reviewed the Agreement on Textile and Clothing (ATC) and the mplications for the rest of the world of having to face competition with China in ıuota-free market. They examined the expected winners and losers among developing ːountry exporters because of the elimination of trade restrictions under MFA and ecommends steps that both rich and poor countries should take to ease the .djustment. The authors recognized that workers in the U.S. and other importing ːountries would also suffer losses (mostly low-wage and female workers).

Rameshan (2005) examined the textile and clothing export performance of ndia and China during the ATC and post- MFA period, with focus on the two leading ːonsumer markets i.e. E.U and USA. The author evaluated that India has not been ıble to get more from the elimination of quotas as compared to China.

Baleix (2005) assessed the impact of the phasing-out of quotas on European ːlothing imports within the framework of the phase-out of the Multi-fibre Agreement ınd the accession of the Central and East European Countries (CEEC). By applying the standard gravity equation, the author concluded that tariffs had a large and negative impact.

Naqvi & Shrivastava (2006) threw light on Agreement on Textile and clothing that proposes to phase-out Multi-fibre Arrangement (MFA) quotas by the developing countries on the imports of textile and clothing from developing countries over a period of 10 years in four stages on 31st December, 2004. The researchers focused on the factor that affected the competitiveness of Indian exporters of textile and garment in the post-MFA regime was the availability of trade performance to emerging competitors of India. Authors laid emphases on the fact that Indian Exporters required to take advantage of phase-out of MFA quotas using a number of factors such as their ability to enhance overall international competitiveness with productivity and efficiency improvement, quality control, ability to respond to changes in consumer preference rapidly and the ability to move up the value chain by building brand names and acquiring channels of distribution to more than outweigh the advantages of her competitors.

Whalley (2006) assessed the impact of the terminations of trade restrictions under the MFA. The speculation prior to MFA termination had been that large increase of Chinese exports would ensure, and at the expense of others Asian Suppliers. Using data from US, EU Chinese and other sources, the pictures that emerges is only small impacts on aggregate US and EU imports of clothing and textiles, and equally only some impacts on aggregate Chinese exports of clothing and textiles.

Heron (2006) assessed the impact of the ending of the Multi-fibre Arrangement (MFA) the protectionist trade regime that protected developed countries from developing countries's textiles and clothing export between 1974 and 2004. The author examined more closely the distributional effects of the ending of MFA. The author argued that removal of quotas under MFA may ultimately lead to significant welfare gains for the south as a whole, these are likely to be highly pierced in favor of a relatively small number of very competitive textile producers but at the same time, a large number of (generally smaller) developing countries are likely to find themselves significantly worse off in the post-quota trade environment.

Pigato & Ghoneim (2006) evaluated the early impacts of the phase-out of the Multi-fibre Agreement (MFA) on the textile and clothing sector (T&C) in Egypt, Jordan, Morocco and Tunisia (MENA-4), with special focus on Egypt. The author argued that in order to take the full advantage from phase-out, these countries should focus on the importance of improving export competitiveness and growth through markets, reducing the cost of T&C inputs, easing restrictive rules of origin, improving trade logistics and pursue deeper integration both regionally and internationally. For Egypt the authors specially highlights the need to rebuilt the T&C industry, improve the export subsidies program, intensify training and education in the T&C industry, encourage the production of other types of cotton and upgrade port facilities.

Curran (2007) tried to carve out the actual impact of the liberalization of the EU and US clothing markets. The author came out with the conclusion that significant changes occurred in sourcing patterns in the EU almost overnight. He concluded that almost all other developing countries lost market share because India and Chine emerged as the big winners.

Yamagata (2007) reviewed the impact of the changes on the main world markets and examines the prospects for the markets and the source countries. The author in this paper carved out the following conclusions: **1.**After the reinforcement of quantitative restriction on Chinese garment exports were agreed with the US and the EU, the post- MFA rush in Chinese garment exports was significantly reduced.**2-** Instead the growth in garment exports from low-income Asian countries to the market of US &EU were revived in 2006. **3-** The impact of the regime shift kept the Japanese market untouched. **4-** Some developing countries like Bangladesh and Cambodia, not only existed the liberalization but also have steadily expanded their garments throughout the state.**5-** It is an indication that the profitability position of the garment industry in developing countries was high on average according to surveys conducted in 2003, which might have encouraged the steady growth of garment exports in the post, and possibly future growth too.

Dayaratna and Whalley (2007) focused on the restriction faced by the China since the end of ATC. The author says that the post-Multifibre Agreement (MFA) trade regime in textile and apparel appears to be emerging in ways which are quite different from what had been widely expected before the ending of the Agreements on Textile and Clothing (ATC). Through a series of agreement that are termed China

Containment agreements, a set of trade restrictions imposed on China, the largest shipper of Textile and apparel. The authors argued that the potential exist for these restrictions to extend and grow as well as spread to other products through the product-specific safeguards mechanism in deeded in the accession of China to the WTO consent.

Audet (2007) argued that the elimination of import quotas has exposed the temptation of fragmented supply chain and favoured countries able to display an integrated supply chain, i.e. domestic production of high quality textile and clothing products. In terms of trade policy implications the elimination of quotas has reduces the attractiveness of outward processing programmes but on the other hand, increased the attractiveness of other preferential trade agreements such as regional trade agreements and Generalized System of Preferences. The article also argued that the postponement of Doha Round negotiations in July 2006 symbolized a reversal for WTO Members and with respect to the textile and clothing issues, widespread eagerness among exporting countries due to the competitive strength of China acts against a package of significant tariff reduction applied on a most-favoured nation basis. The author in this article analysed that in order to move the Doha negotiation forward, political will is essential in agricultural negotiation, including a development friendly resolution of the problems of cotton subsidies.

Duraipandian and Anitha (2007) revealed the salient features of the Indian knitwear sector, the post quota challenges and appropriate strategies to combat the intense competition. The study predicted that India could achieve a growth rate in garment exports of 15-18% per annum and reach over US$ 25-30 billion by 2013 if reforms are implemented. Authors further argued that in order to boost the exports in this sector and to build a favourable brand image in the international markets, internal hurdles should be removed or minimized.

Sasidaran and Shanmugam (2008) attempted to investigate the implication of unshackling of the global textile trade, following the complete phasing-out of the Multi-fibre Agreement (MFA) in 2005, on the efficiency of firms operating in the Indian textile industry. The authors argued that the firms in Indian textile Industry are failed to utilize the efficiency of their inputs during the period of liberalization which, if utilized, would have helped them to oppose and overcome the violent competition from other players particularly China.

Wijayasiri and Dissanayake (2008) studied the effect of the MFA on nnovation in the Sri Lankan textile and clothing sector. Authors concluded that nding of the system under the MFA led to an increase in the US & EU markets vhich have motivated a large number of innovations in the Sri Lankan textile and lothing sector.

Vernon (2008) applied the end of the Multi-Fibre Agreement to test the theory f quality upgrading, which stated that firms facing quotas would export higher uality products to generate the greatest economic rent from each individual exported ood. The author found that the end of the MFA led to a 9 percent decrease in the uality of goods exported in previously restricted groups and a 26 percent decrease in he price of goods exported from China.

Narayanan (2008) examined the impact of phasing out of MFA quotas on ndian garment exports as an example of competitive labour-intensive sector in an merging market economy that has been recently facing removal of export restraints. The author concluded that the WTO's decision to phase-out the MFA quotas has had positive impact on the Indian Garment Export mainly in terms of increased exports nd stability in export performance.

Kowalski and Molnar (2009) examined the economic impact of MFA phase-out and strategies adopted by the producers of OECD and non-OECD countries to urvive in the post-MFA global competitive arena. The study concluded that the ature of MFA was discriminatory, for some countries and producers the effects of MFA phase-out may only be felt as they feed through the markets in the medium to ong term, especially since a significant share from China were still restricted by emporary quotas in the EU markets until the end of 2007 and are still restricted in the JS market until the end of 2008.

Dina and Stephanie (2009) threw light on impact of MFA phase-out on Cambodian Textile industry and impact on global market competition.

Harrigan and Barrows (2009) found that quota restrictions on United States mports of apparel and textile under the multi-fibre arrangement (MFA) ended steeply n January 2005. This change in policy was large and fully expected making it an deal experiment for testing the theory of trade policy. The study concluded that the prices of quota-constrained categories from China fell by 38% in 2005, with smaller declines from other exporters and find substantial quality down grading in imports from China in previously constrained categories.

Karthikeyan & Ramachandran (2009) analyzed the marketing strategies, brand name establishment and driving factors to be adopted by the Tirupur exporters after the quota removal. The authors also analyzed the benefits of technology up gradation fund and reasons for investment after quota removal.

Brambilla, Khandelwal and Schott (2010) critically examined the China's experience under U.S. apparel and textile quotas. The study concluded that China was relatively more restricted under quotas than other countries, but when quotas were lifted, China's exports grew disproportionately.

Gopalan and Shanmugam (2010) investigated the implications of unshackling of the global textiles trade, following the complete phasing out of the Multi-Fibre Agreement (MFA) in 2005, on the efficiency of firms operating in the Indian textiles industry. By applying the Stochastic Coefficients Frontier Approach, hypothesis of the study proves that the average efficiency declined over the years, indicates the presence of inefficiency in using inputs. The authors argued that the Indian textile firms failed to utilise their input efficiently during the phase of liberalization.

Swapneshwar (2010) discussed the role of the Textile Monitoring Body in resolving the transnational disputes and its relative importance in resolving in international trade dispute aspects. The author also focused on the working and function of TMB in contemporary days. The study analysed the cases, which manifests the weakness of the TMB in resolving disputes or settling down disputes and argues for a transparent international trade deals.

Hudson (2010) explored some of the issues surrounding the WTO negotiations for cotton. The author in this paper examined the impact of the phase-out of the Multi-fibre Agreement (MFA) on the location of production of textile and cotton trade flows.

Chaudhary (2011) focused on the Indian Textile Industry and its position in the world in terms of textiles and clothing exports. In this paper the researcher explored the changes in the exports and profits of the Indian Textiles exporters. The paper further investigated the role of FDI in the industry and analysed the role of

Indian Government for the promotion of the industry. The researcher concluded that inspite of the fact that removal of quotas has brought opportunities for India, China and Korea have emerged as the biggest threats to it. The author justified that Medium and small firms are more vulnerable because it is relatively difficult for them to survive in tough competition and for their survival they need the strong support from the government.

Chaudhary (2011) threw light on the responsiveness of Indian textiles exporters to the phase-out of MFA. In this paper the researcher investigated through primary survey how Indian textiles exporters responded to the situation and what methods were adopted to face and tackle the new market conditions at the global regime. The researcher explored the fact that Indian Textiles Industry was aware and prepared to adapt to the MFA phase out era. The results show the positive impact of the removal of quotas under MFA on Indian textiles exporters and their profits. The author further suggested that it is the right time for the Indian textiles exporters to reorient their strategies towards profit maximization and capturing the maximum share in the global market.

Ray (2011) did a comprehensive study to evaluate and analyse the industrial performance of Indian sector in terms of economic capacity utilization. The author found that capacity utilization in this particular industry has been gradually growing after the phase-out of MFA, and it continued till economic recession begins during 2008 and the industry is gradually striving harder to sustain its past achievement.

Goel and Nigam (2012) analysed the export performance of Indian textile industry after the abolition of the multi-fiber agreement. The study explained that Indian textile industry managed to penetrate its roots deep in the international market but that was in the era when multi-fiber Agreement was in existence, but now, since January 1, 2005, the MFA has phased out and India needs to strive harder to sustain its past achievement. The authors laid emphases on the fact that in order to tackle the situation India needs to invest in research and development to develop new products, reduce transaction costs, reduce per unit costs, and finally, improve its raw material base.

Shetty, Kiran, Prabhu, & Dash (2012) identified the challenges that Indian garment exporters faced and strategies adopted to compete successfully in the market place. The objectives of the study were to find the exporters' perceptions of the challenges and competition faced by them, to find out whether the exporters have brought about a change in their marketing strategies after the phase-out of MFA, and to find out if the exporters are fully equipped in coping with competition from China and Bangladesh.

Shrimali (2013) studied the global textile & clothing trade pattern and export performance of Indian textile & clothing industry vis-à-vis its competitors in the United States. The paper concluded that the post ATC quota free environment in textiles & clothing has opened the door for global competition and if India wants to compete with global players, it should put up its competitive muscles otherwise small & least developed countries like Bangladesh and Cambodia can give stiff competition to Indian firms.

Hasan (2013) analysed the impact of MFA phase-out on export performance of Bangladesh Ready Made Garments (RMG) industry. The two main factors i.e. cheap labour force and captive market under quota system facilitated the development of RMG industry in Bangladesh. A close look towards the industry reveals that the industry has maintained its competitive strength in the market by exporting low cost apparels based on the availability of cheap labour. But at the same time the industry is also facing some internal problems such as poor infrastructure, lack of backward linkages, high lead time and market and product diversification.

Joseph and Narayanaswamy (2013) threw light on global textile and clothing trade pattern and export performance of Indian textile & clothing industry vis-à-vis its competitors. Indian textile & clothing market not only losing its share to China but also find it difficult to compete with countries like Bangladesh and Cambodia in certain segments.

Shetty, Kiran and Dash (2013) examined the impact of the removal of quota on the performance of textile and clothing exporting units in Bangalore and their response strategies. Authors argued that the main impact of removal of quotas was an increase in the volume of textile and clothing exports moreover exporters in Bangalore expended their markets, introduced changes in the mode of export and thereby increased their profit margin.

Keshari, Nair, and Avasthi, (2013) focused on the perception of Indian textile exporters regarding the effects of the agreement on their growth performance and the perceptions of entrepreneurs about the determinants of competitiveness of their firms in the aftermath of GATT-94. Indian textile exporting firms are confident about their inherent competitive advantage that would facilitate greater market penetration but at the same time they have realized that China, Pakistan and Bangladesh are the emerging rivals in the global market along with multinationals.

Kathuria (2013) studied the comparative advantage of India and Bangladesh for the clothing sector in the world export trade with the help of Balassa's index of Revealed Comparative Advantage (RCA). Findings reveal that the number of products for which India enjoyed the comparative advantage increased from 23 products to 25 products between 1995 and 2003 and for Bangladesh, this number increased from 21 products to 29 products between 1995 and 2003.

Hammouda, Oulmane & Sadni (n.d.) focused on the impact of removal of quotas under MFA on Maghreban economies. By applying the GTAP model the researchers obtained the results that the quotas dismantlement should entail considerable distresses on the North African economies, as well in terms of GDP, of welfare, of production, that in terms of trade flows. FTAs with Turkey or the United States reduce the negative effects of the quotas removal in a modest way.

Aprill and Certeza (n.d.) examined the impact of the removal of quota restrictions under the Multifibre Arrangement (MFA) and the subsequent implication of this development to South Africa and Cambodia. This paper high lights those diverging factors that affect the textile and clothing industry of these two countries.

1.4 Research Gap

From the comprehensive literature review, the researcher came to the conclusion that a number of studies on the impact of MFA phase-out have been done. However, none of these studies provide analysis of the impact of MFA phase-out on textile trade between India and EU. No detailed study has been undertaken in this field.

Thus the research gap exists is the study about the impact of Multifibre Agreement Phase-out on Textiles Trade between India and EU and a comparative study between the pre and post period. In order to fulfill this gap, the present study covers the economy of E.U. member nations and their trade relations with India. Textiles industry of India and E.U. and potentiality of India's textiles trade with EU as a whole has been traced. Impact of removal of quotas under MFA on their textile trade relations has been measured between the pre and post period.

1.5 Scope of the Study

The present study has wide scope. It is significant from various points of view. The study would contribute to the manufacturers of textile and textile products, exporters and importers of textiles and textile products, investors, and the public at large. The following points highlight the significance of the present study:

- The present study covers a period of 16 years from 1997-98 to 2012-13 to analyse the possible effects of MFA phase-out on textile trade between India and E.U. Period from 1997-98 to 2004-05 is taken as Pre MFA Phase-out period and from 2005-06 to 2012-13 is considered as Post MFA Phase-out period.
- The study aims at exploring the trend in textile industry of India and E.U.
- It examines the trade relations of India with 27 members of EU with special focus on textile trade.
- It discusses the plans and policies framed by the Government of India for the enhancement of textiles trade between these two nations.
- It also brings out the problems faced by the investors and textiles exporters of India and EU.

1.6 Objectives of the Study

To access the performance of textiles trade between India and EU and measure the impact of Multifibre Agreement Phase-out on Textiles Trade between these two nations the present study covers the following objectives:

1. To explore and understand the origin of Multifibre Agreement (MFA) and its implications on textiles industry in India and EU.
2. To identify the parameters used to measure the impact of MFA phase-out on textiles trade between India and EU.

3. To measure the impact of MFA phase-out on textiles trade between India and EU.

4. To make a comparative analyses of the textiles trade between India and EU during Pre and Post MFA phase-out period.

5. To bring out the existing problems, after examining the complete situation and giving suggestions thereafter.

1.7 Hypothesis of the Study

Based on extensive literature survey, relevant hypotheses were generated for the purpose of achieving the objectives of the study. The following hypotheses have been developed in respect of this study:

Hypothesis 1

Null Hypothesis (H_0) - There is no significant variation in India's Textiles Export to EU between Pre and Post MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant variation in India's Textiles Export to EU between Pre and Post MFA phase-out.

Hypothesis 2

Null Hypothesis (H_0) - There is no significant variation in India's Textiles Import from EU between Pre and Post MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant variation in India's Textiles Import from EU between Pre and Post MFA phase-out.

Hypothesis 3

Null Hypothesis (H_0) - There is no significant variation in EU's FDI in Indian Textiles Industry between Pre and Post MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant variation in EU's FDI in Indian Textiles Industry between Pre and Post MFA phase-out.

Hypothesis 4

Null Hypothesis (H_0) - There is no significant Impact of EU's FDI in Indian Textiles Industry on India's Textiles Exports to EU before MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant Impact of EU's FDI in Indian Textiles Industry on India's Textiles Exports to EU before MFA phase-out.

Hypothesis 5

Null Hypothesis (H_0) - There is no significant Impact of EU's FDI in Indian Textiles Industry on India's Textiles Exports to EU after MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant Impact of EU's FDI in Indian Textiles Industry on India's Textiles Exports to EU after MFA phase-out.

Hypothesis 6

Null Hypothesis (H_0) - There is no significant Impact of EU's FDI in Indian Textiles Industry on India's Textiles Imports from EU before MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant Impact of EU's FDI in Indian Textiles Industry on India's Textiles Imports from EU before MFA phase-out.

Hypothesis 7

Null Hypothesis (H_0) - There is no significant Impact of EU's FDI in Indian Textiles Industry on India's Textiles Imports from EU after MFA phase-out.

Alternate Hypothesis (H_1) - There is a significant Impact of EU's FDI in Indian Textiles Industry on India's Textiles Imports from EU after MFA phase-out.

1.8 Methodology of the Study

In order to perform the research work, the present study entirely depends on secondary and tertiary sources of data. The secondary data has been gathered from the following sources:

- The year book of financial static and directions of trade statistics IMF publication various issues.
- The Europa year book, Faro East Asia and Indian year book.

- Eurostat year book.
- Government publications of India and other countries such as issues of white paper on international trade and newsletters of different countries.
- Data regarding composition of India's trade collected from various issues of statistics of Foreign Trade of India by countries.
- Annual reports of Ministry of Textile, Government of India.
- Annual reports of European Commission.

1.9 Tools for Analyses

In order to measure the impact of MFA phase-out on textile trade between India and EU, two methods have been applied with the help of SPSS:

- Paired Samples T-Test.
- Simple Regression Model.

1.10 Organization of the study

In order to accomplish the objectives of the study, entire work has been divided into six chapters:

The **First Chapter** gives a synoptical view of the entire research work. It highlights the core objectives of the study. Besides, hypotheses relating to the study, statement of the problem, scope of the study, methodology adopted, review of literature, research gap and limitations have also been covered in this chapter.

The Second Chapter, titled 'Multi-fibre Agreement' elucidates the factors that were responsible for the emergence of MFA. The four stages of the removal of MFA and outcomes under it have been discussed. It throws light on the role of WTO's Agreement on Textile and Clothing (ATC) in integrating the textile and clothing into GATT. Effects of quota regime on developed and developing countries and the countries that emerged as winners after the removal of quotas have also been outlined in this chapter.

The Third Chapter, titled 'European Union' gives an insight about the formation of European Union. Historical background of EU, treaties, governing institutes, advisory bodies, financial bodies of EU have been discussed in a nutshell. Enlargement of EU and countries that joined EU and became its member have also been canvassed. Economy of 27 members of EU has been briefly reviewed in this chapter.

In Fourth Chapter, titled 'India-EU Trade' discusses the trade relations of India with EU with special reference to textiles trade. Textiles industry of India and its top ten textiles export destinations and import partners have been analysed in this chapter. EU's textiles industry, its top ten export markets and top ten import partners in the world have been analysed. What India and EU are gaining from each other in terms of textiles trade has also been ascertained in this chapter.

Chapter Five deals with the analysis and interpretation of the data. Statistical tools have been applied with a view to appraise the formulated hypotheses and to measure the impact of MFA phase-out on textiles trade between India and EU.

Chapter Six titled 'Findings, Conclusions and Suggestions' presents the summary of the complete research work. An attempt has also been made to put forward some suggestions depending upon the study, research and conclusion.

1.11 Limitations of the Study

Major thrust of the study relies on secondary sources of data which have been derived from published annual reports, surveys, websites, broadcast, and other relevant resources; so it is subject to some limitations. The study is based on the data and information relating to 'sixteen years' period from 1997 to 2012. The data regarding export and import was available for the years before 1997 but the data for EU's FDI in Indian textiles industry was not available for the same year. More data and information would have made this study even comprehensive.

While collecting the data, it was found that the data was not uniformly available. What emerged as the biggest limitation of the present study was the availability/unavailability of the data regarding India's trade with all the members of EU for same years. However, data pertaining to India's textiles trade with only selected EU member nations for limited years could be gathered. Due to this limitation, aggregate data with respect to textiles trade of India with EU as a whole has been taken into account. Moreover while conducting the study the researcher found a noticeable variation in data available on European Commission's website. As a matter of fact, in order to measure the impact of MFA phase-out on textile trade between India and EU, the study is confined to three parameters i.e. Export, Import, and FDI. However, there are many other factors such as employment, cost competitiveness, technology, among others that are not considered in the present study.

1.12 Scope for Future Research

The present study focuses on the origin of Multi-Fiber Agreement, its phase-out, European Union and its textile relations with India, with a view to find out what changes in textile trade between India and EU have occurred after the phase-out of MFA. There are many areas which have not been considered yet.

Following are some of the areas for future study in this regard:

1. A study of the impact of MFA Phase-out on India's Textile and Apparel trade with the other BRIC nations i.e. with Brazil, Russia and China.
2. A study of changes in textile and apparel trade of emerging countries in South and South East Asia like Indonesia, Thailand, Malaysia, Singapore, Vietnam, and other after the termination of Multifibre Agreement.
3. A study of the performance of textile trade of India with the richest nation of EU in terms of GDP after MFA.
4. A study of the performance of employment in textile mills of India between Pre and Post MFA phase-out.
5. A study of cost competitiveness in textiles industry of India and China.
6. A study of role of TMC (Textiles Monitoring Body) regarding developing countries after the removal of quotas.
7. A study of Initiatives taken by the government of EU member nations regarding textile trade with India after the phase-out of MFA.

1.13. Summary

Based on the review of the literature, the researcher comes to the conclusion that none of the studies has been carried out in respect of the impact of removal of quotas on textile trade between India and E.U. The main purpose of this study is to fill this gap and objectives and hypothesis have been design and appropriate research methodology has been selected for the same in order to reach to the actual conclusion.

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Chapter-2

Chapter 2

MULTI-FIBRE AGREEMENT

In this chapter an attempt is made to have a comprehensive but selective view of Multi-fibre Agreement. It also evaluates the four stager of phase-out of MFA, including the role of WTO and its impact on some Asian developing countries.

2.1 Introduction

2.2 Birth of MFA

2.3 The WTO Agreement on Textile and Clothing: The Agreement to phase–out MFA Quotas.

2.4 Effects of Quota Regime

2.5 Impact of MFA Phase-out on Asian Countries; China, India, Bangladesh & Sri Lanka

2.6 Conclusion

2.1 Introduction

Textiles and clothing has always been a need of mankind. It is a need that protects human being from the cold and the climatic conditions. The history of trade is as old as human history. This history interconnects perfectly with textile and clothing. Historical records reveal that this sector proves to be strategic not only for rich countries but also for the developing ones. According to the WTO estimates, textile and clothing accounts for about 9.1 percent of the world manufactured goods exports or 6.5 percent of all merchandise (WTO, 2010).The production process of textiles and clothing sector is highly concentrated in semi-skilled and un-skilled labour. Developing countries are relatively fertile in textiles and clothing; and the trade of textiles and clothing products drive the need of developing countries to be industrialised.

Developing countries have faced restrictive blocks called quotas for the export of textiles and clothing products. For more than forty years, this sector has been controlled by a number of agreements namely: Short term cotton agreement initiated in 1961 and the Long term cotton agreement operated from 1962 to 1973 (Sengupta, n.d.). This Long Term Cotton Agreement took the place of one-year Short Term Cotton Agreement. LTA renewed several times and was finally replaced by the Multi-fibre Agreement (MFA) in 1974, which was lengthened to cover the exports of synthetic fibres and woolen products, besides cotton (Liu & Sun, 2003).

> The step by step removal of quantitative restrictions paved the way to improve the balance of payments difficulties in the developed countries along with the return of Japan as the strongest and the largest supplier of cotton textiles along with the emergence of a number of developing countries as exporters of textiles. The developing countries which had the advantage of easy access to raw material, and comparatively low cost of production, especially wages, started to increase the volume of exports of cotton textiles to the markets of industrialised countries. The sudden increase in the export of low value cotton textiles affected investment and employment in the developed countries which led to the rapid closure of production facilities in the sector (Sengupta, n.d).

In order to ease the difficulties, the US and Europe moved to restrict imports from Japan and other developing countries. It also helped the US and Europe to protect their domestic markets for the sake of their own textile industries. These restrictions were never really withdrawn. By the 1960s, these restrictions were lengthened to Hong Kong, Pakistan, and India. As these restrictions on textile trade became general worldwide, multilateral negotiations started taking place, giving birth to a series of agreements. In the beginning, the agreements consisted only cotton, but in the long run they converted into "**Multi Fibre**" Agreements covering textiles and clothing made from all fibres: cotton accounts for about 38 percent of world fibre consumption (MacDonald, 2006).

At the center of MFA there was a set of bilateral agreements between developed country as importers such as US and EU and developing countries as exporter such as India, China, and Bangladesh. The MFA did not cover the trade among rich industrialised countries. Under this agreement the developed countries like US and EU imposed quotas on export of textile and apparel products by developing countries. However, these restrictions created opportunities for many developing countries to build up a strong textile and apparel base while gaining access to markets and shelter from the pressures of global competition.

By confining imports, the US and EU boosted their domestic prices of clothing. Because of increased domestic prices domestic production went up; whereas domestic consumption fell down. Outside of EU and US markets, the quotas had manifold effects, for instance the restrictions on the export of textiles and clothing of some countries created opportunities for others, thus compelling changes in international clothing markets. Ceiling on the exports of Japan and Hong Kong created export opportunities for Taiwan and South Korea. After Japan and Hong Kong these restrictions moved to Taiwan and South Korea which in turn raised opportunities for Thailand and Indonesia. In this way, the MFA flourished, but at the same time investment in clothing production also widened. Entrepreneurs shifted their capital base and expertise from highly constrained countries to less constrained countries that otherwise were deprived of the facilities to export large amounts of clothing. Therefore, for some countries, the efforts to bound global exports actually triggered an increase in exports (MacDonald,2006).

2.2 Birth of MFA

Textiles and clothing sector has been considered as the world's most systematically comprehensive protected sector (Xia, 2004). This sector is considered to be a tool for the industrialisation of developing countries in low value added textiles & clothing products.

> Textile and apparel accounts for approximately one-third of manufactured export of less developed countries (LDC) and in some countries it is accounted for more than one-half. Growing protection stunts the (Less Developed Countries') LDC's efforts to industrialise and finance their international debt through the export of manufactures. And protectionist policies, besides from causing economic inefficiencies, have high political costs. Disputes arose among Northern countries and Southern countries in negotiations over market share in textile and apparel trade. Developed and less developed countries tried to regulate national intervention in textile and apparel trade through an international regime. Two factors stimulated its development. First, the proliferation of so-called voluntary export restraints by Japan, India, Pakistan and Hong Kong in the 1950s, as a result of pressure from the American and British textile and apparel industries, undermined the General Agreement on Textile and Trade (GATT). Second, protection by West European countries led LDCs to focus on the American market, rather than permitting the continuation of unregulated intervention in trade. The US government pressed for the development of Short Term and Long Term Agreements on Cotton Textiles (STA &LTA) in the 1960s (Aggarwal, 2005, pp. 618).

These agreements mitigated pressure on the American market and forced the Europeans to accept more imports. As LTA was confined to monitor arbitration in cotton products but LDCs increasingly exported wool and man- made fibre products. This made the domestic producers of developed countries insist their governments to put limits on the increased export by developing countries. With a view to protect domestic producers, the US government tried to expand the scope of LTA to include trade in man-made fibre and wool-based products (Aggarwal, 2005, pp.620). In 1974, this LTA was replaced by Multi-Fibre Agreement.

The MFA was drafted as a short-term tool primarily to allow time to the developed countries to face the competition from developing countries. Being labour-intensive, it was relatively easy for developing countries to face competition in the global market. In effect MFA developed restraint mechanisms through the establishment of quota restrictions on specific textile and clothing items. Developed countries were allowed to put bilateral quotas on various textile products, balanced by an obligation to the developing countries to maintain annual growth rates (Richard, 2005). MFA was subsequently renewed five times, as few countries made progress in improving their competitiveness and finally expired on December 31, 2004 (Saxena & Wiebe, 2005). MFA was considered a departure from fundamental principles of the General Agreement on Tariffs and Trade (GATT) and its goal of reducing discrimination in terms of trade (Naumann, 2006, pp 3). The WTO Agreement on Textiles and Clothing took place on January 1, 1995 and designed a transitional process for the final removal of these quotas (WTO, 2010).

International trade in textiles and clothing has been governed by quantitative restrictions under MFA and earlier agreements for more than 30 years. During the period of global distress, Japan emerged as the largest exporter of cotton textiles. To prevent their domestic market the United States, Canada and Europe set quotas in 1973 on the exports from Japan (SOMO, 2004). By the 1960s, these restraints were extended to India, Pakistan and Hong Kong (MacDonald. S. 2006).

The quantitative restrictions on textiles and clothing violated some of the basic principles of General Agreement on Tariff and Trade (GATT). This agreement came into effect at the start of 1948 and contained provisions that directly or indirectly relate to quantitative restrictions. For example, Article XI (General Elimination of Quantitative Restrictions) explicitly prohibits quantitative restrictions (and related import and export licensing), except under a small number of exceptional circumstances (such as export restrictions to temporarily relieve domestic food shortages). Further, Article I (General Most Favored-Nation Treatment) and XIII (Non-discriminatory Administration of Quantitative Restrictions) states that only trade measures taken by countries must not discriminate among supplying countries (Naumann. E, 2006).

In 1961, 30 countries signed the Short Term Agreement, providing to volume quota for cotton textile exports. This agreement was followed by the Long Term Agreement (LTA) (Chiron, 2004). The LTA, initially covered a five-year period but subsequently renewed in 1967 and 1970, leading to more restrictions. These agreements never came to an end between the US and various main exporters of man-made fibre (MMF) products, and wool products. The main aim of these agreements was to restrict the supply from main supplier countries to the developed countries and hence control domestic market disorders brought about by this sudden rush in foreign competition. Though initially this approach was a relief, its extended nature made it a tough policy tool in the long run. Many European countries which took benefit from limited LTA, experienced an upward inflow of non-cotton textile imports. Some of the developing countries which had become substantial players in the global textile and clothing industry gave little favour to the LTA (Naumann. E, 2006, pp.3).

All these developments provided a base for negotiation and successive conclusion, of the MFA in 1973. In 1974, it was signed under the auspices of the GATT. The MFA was welcomed by many countries (Naumann.E,2006,pp.4). It was designed to provide developing countries with guaranteed and growing access to market of developed countries while allowing governments of developed countries to prevent disruption of their domestic market.

Before 1991 MFA was revived three times. As international trade in textile and apparel broadened, successive versions of MFA became more restrictive. Despite the general rule, quotas were assumed to increase by at least 6% each year. This limit was generally much lower due to bilateral commitments that countries undertook on the top of MFA obligations. Bilateral negotiations took place quite frequently, even on annual basis, which in turn led to the annual growth rates of quotas for different products and countries (Richard P., 2005).

MFA was renegotiated in 1977, 1981 and 1986 (Naumann, 2006, pp.5). It widened the area of the limitations on textile and clothing from cotton products to wool and man-made fibre (MFF) products. Position around quotas became more restricted, with increasing pressure for expending the MFA on the part of the major importing countries: US and E.U; however the developing countries opposed it. The developed countries exerted pressure to liberalise the textile and clothing trade. In 1991 the Agreement on Textile and Clothing (ATC) negotiated as part of GATT's Uruguay Round. A final version of ATC was finally implemented on 1 January 1995 (Naumann.E, 2006, pp.6). The main aim of ATC was the gradual removal of Quantitative Restrictions (other than MFA Quotas) those are not consistent with GATT rules (Sengupta,n.d).

2.3 The WTO Agreement on Textile and Clothing: The Agreement to phase-out MFA Quotas

The textile and clothing industry plays an important role in a large number of developing countries. Still, the world trade in textiles and clothing has been governed by an ever-increasing series of bilateral quotas for the last three decades. The range of products fell under quota limits broadened from cotton textiles under the Short- Term and Long –Term Arrangements of the 1960s and early 1970s to an ever- ending list of textiles products including natural and man- made fibres under five extensions of the Multi-Fibre Agreement (MFA) over the period 1974-1994. At the end of 1994 when MFA was aborted, it had 39 member countries (Juris International, n.d.) . Out of these 39 countries eight were developed countries considered as importers and the remaining 31 were developing countries considered as exporters. Under MFA the exporting and importing countries were allowed to enter into bilateral agreements subject to limitations on export by the exporting countries. By signing such bilateral agreements the countries were bounded to follow the MFA rules.

At the conclusion of the Uruguay Round several attempts were made to assess the economic impact of the Uruguay Round. It was concluded that, when fully implemented, the trade liberalisation agreed in the Round could boost world economy up to 1 percent per year (Naumann, 2006, pp.11). The volumes of world trade were estimated to increase by 6-20 percent (ITCB, 1999).

The main aim of ATC was to integrate the textile and clothing into GATT, so as to contribute towards the objective of liberalisation of trade. Even though ATC did not accurately define the phrase '**integration of textile sector into the GATT**', the main circumstance of the negotiation was the quantitative restrictions that had applied and maintained by some developing countries under the MFA. Moreover, in 1989 Ministerial decision expressed ironically that the process of integration should cover the **phasing out of restrictions under the MFA** and other restrictions on textile and clothing were not consistent with GATT rules and disciplines. In 1989, it was agreed that the process of integration "should be progressive in character". It follows therefore that the main objective of the ATC was to eliminate the restrictions imposed by the developed countries on the import from developing countries under MFA and thereby to contribute to the liberalization of trade in the sector (ITCB, 1999).

The **key elements of the ATC** which were finalized under Uruguay Round are as follows:

1. Setting up of an integration programme for the integration of textile and clothing products into WTO (GATT-1994) disciplines within a period of 10 years (Sengupta, n.d).

2. Progressive growth of quota limits during the period of transition prior to the final integration of the textile sector into GATT. For products remaining under quota, at whatever stage, the Agreement laid down a formula for increasing existing growth rate. Thus, the annual growth rate should be 16%, 12 % and 27% higher than the growth rate established for the previous MFA restrictions under MFA bilateral agreements in the three stages (India and the WTO, 1999).

3. Application of safeguard mechanism during the transition period to allow member to impose restrictions against the export from, individual exporting countries if the importing country can show that the overall imports of a product and imports from individual country are imposing threats for serious damage to the domestic market (India and the WTO, 1999).

4. The gradual removal of quantitative restrictions (other than MFA Quotas) those are not consistence with GATT rules (Sengupta, n.d).

5. The product coverage, basically encompassing yarns, fabrics, man-made textile products and clothing.

6. Establishment of a Textile Monitoring Body (TMB) to look after the implementation of the agreement and certify that the rules are accurately and faithfully followed (Goutam, 2010).

ATC laid down a four-stage quota liberalisation schedule, and outlined in Article 2 of the Agreement (Naumann, 2006, pp.13). Each stage anticipated the integration of a specified amount in terms of percentage of the total import volume of 1990. The first stage of integration covered a period of three years; the second covered a period of four years, and the third covered three years. The fourth stage was the date of full integration (1 January 2005). These four stages surrounded by 16%, 17%, 18% and 49% of imports of all specified textile and clothing products based on volumes in the year 1990 (Spinanger, 1998). WTO member appointed an 11-member quasi-judicial textile monitoring body (TMB). It was established to supervise compliance with the provisions of the ATC and to examine all measures taken under it, ensuring that were in conformity with the rules (Naumann,2006, pp.6). TMB consisted a Chairman and ten TMB members. The ten members were appointed by WTO Member governments according to an agreed grouping of WTO members into constituencies. In January 1995, the General Council decided upon the composition for the TMB for the first stage. In December 1997, the General Council decided upon the composition for the Second Stage (1998-2001) with TMB members to be appointed by WTO members designated from the following constituencies: (a) the ASEAN Member countries; (b) Canada and Norway; (c) Pakistan and Canada (following the latter's WTO accession : (d) the European Communities: (e) Korea and Hong Kong, China; (f) India and Egypt/ Morocco/ Tunisia; (g) Japan; (h) Latin America and Caribbean Members; (i) the United States; (j) Turkey, Switzerland and Bulgaria/ Czech Republic/ Hungary/ Poland/ Romania, Slovak Republic/ Slovenia (WTO,2010).

Apart from regulating quota removal and the integration of textiles and clothing trade with normal GATT rules, the ATC in Article 2(13)-(14) also required a concurrent increase, expressed as a percentage (Naumann, 2006, pp.6) (shown in the last column of table 1); refer to an increase in quota limits beyond the increases expected by the MFA. For example, where the annual quota limits increase expectedly for a particular country and category (say, for shirts) is fixed at 6% under bilateral agreement, it would have to be increased by 16% i.e. from 6 % to 6.96% (6% @ 16% annual growth), 6.96% to 8.7% (6.96% @ 25% annual growth) and 8.7% to 11.05% (8.7% @ 27% annual growth) in the third stage. Smaller developing countries acknowledged in Article 2(18) of ATC, where a country's restricted exports were 12% or less of the volume of a particular importing country's restrictions, such country should be fast-tracked to avail opportunities from the next stage of quota growth rates (Naumann, 2006, pp.7).

Table 2.1. Schedule of phasing out of quotas under the ATC

Stage	Date of Implementation	%age of products to be integrated with GATT rules (based on 1990 trade)	Increase in rate for remaining quotas	Example of quota growth (to be applied annually, based on 6% rate under former MFA)
1	1 Jan 1995-32 Dec 1997	16% minimum	16%	6.96%
2	1 Jan 1998-31 Dec 2001	17% minimum	25%	8.7%
3	1 Jan 2002- 31 Dec 2004	18% minimum	27%	
4	1 Jan 2005 (Full integration into GATT, final elimination of quotas, termination of ATC)	49%	Full elimination	

Source: WTO

Stage I and II called for the removal of no less than 16% and 17% respectively of the importing country's textiles and clothing quotas (based on 1990 level). These initial changes had little impact, because they generally applied to those products whose imports were already below quotas levels. The last two phases had a strong impact, for they applied to the products that were more strongly bounded by the use of quotas. Phase III which began on January 1, 2002, and completed on December 31, 2004, called for the elimination of no less than an additional 18 percent of quotas. The remaining 49 percent of quotas were eliminated in 2005 (Appelbaum, 2004).

The importing members had to choose what products to integrate within the framework given by Article 2 of the ATC and the condition to cover atleast one product of each of these four categories namely: tops and yarns, fabrics, made-ups and clothing (Nordas, 2004).

When ATC came to an end on 1 January 2005 all quantitative restrictions existed under MFA were removed. The schedule made it clear that the impact of removal of quotas would be strongly marked only in the latter stages of the ATC and the post-quota era allowed countries to integrate trade in those categories which had either little or no threat to domestic concern (Naumann, 2006, pp.9).

ATC's adjustable nature was the main reason to make it less-capable. The integration was in terms of volume of 1990, not values and therefore gave birth to prejudice on the part of efficiency improvements and natural growth that may have achieved over the consequent years (Naumann.2006, pp.10). The agreement was largely flexible because importing countries expanded the Annex during negotiations to include many items never originally subject to the MFA (Bagchi, 1994).

2.3.1 Progression of Implementation

> The four WTO Members who maintained import restrictions under the former MFA (Canada, EC, Norway and US) were required to undertake this integration process and notify to the TMB the first phase of their programmes of integration by 1 October 1994. Other WTO Members were required to intimate the TMB first, if they wish to retain the right to use the transitional safeguard mechanism in the ATC (Article 6.1) and, if so, provide their first stage of integration lists. Fifty-five members chose to retain this right and most of them provided list of products for integration (WTO,2010).

The other nine countries notified that they did not want to retain it (Juris International, 2010). As anticipated, the speed of effective trade liberalisation came into progress much slower than expected. In fact, till the end of the 1st stage of ATC that lasted till Dec.1997 almost no quota was removed by the main quota imposing countries (EU, US, Norway and Canada). Only 6 items were integrated by Canada in stage 1 (as shown in table 2 below), while there was no integration by USA, EU and Norway.

Table 2.2. Progress of quota removal under the ATC

	No. of items restricted at the outset of the ATC	**Stage I (1 Jan.1995-31 Dec.1997)**	**Stage II (1 Jan.1998-31 Dec.2001)**	**Stage III (1 Jan.2002-31Dec.2004**	**Stage IV (1 Jan. 2005)**
USA	758	0	14	43	701
Canada	295	6	23	27	239
E.U.	218	0	14	27	167
Norway	54	0	46	8	0

Source : Nordas, 2004)

According to WTO Director General Supachai (2003) 'only 20 percent of the products integrated into WTO rules in the first three phase of the ATC were subjected to quotas. This means, of course, that the remaining 80 percent of quotas must be eliminated by the end of December 2004, consisting a total of 239 quotas maintained by Canada, 167 quotas maintained by EU and 701 quotas maintained by US' (WTO. 2010).

This integration started picking speed at the next stage but at very slow rate. Of the four countries listed in table 2, Norway stood out as having made the most rapid progress in integrating textiles and clothing trade under the ATC and removed all her quotas by the end of 2004. The three quota imposing countries (EU, US & Canada) followed to the letter ATC such that the binding quotas still covered almost 80 percent of the imported products prior to the adjustment period which inturn led to back-load and a drastic change in trade from 1st January 2005 (Ernst, Ferrer & Zult, 2005) .

The integration of textiles and clothing trade was forced by a number of factors but most were forced by protectionist elements where accelerated trade liberalisation adversely affected certain stakeholders in quota-imposing countries. The adjustability of ATC became responsible for its exploitation, regardless of its guiding principles. Undoubtedly, the range of products covered under the ATC was unnecessarily wide and covered even those products that were not previously restricted under quotas. By the incorporation of these products the large importing countries started integrating such products first, or undoubtedly included them as part of the products that were brought into line with GATT principles (Naumann, 2006, pp.11).

Quotas on trade of textile and clothing have changed the nature substantially and location of production globally. The two important outcomes with respect to geographic location have been the protection of production centers in quota-imposing countries, especially the US and the Europe, and the balanced distribution of production in quota-unconstrained locations. An absence of quota would very probably have led to higher concentration of textile and clothing production centers in a small number of low-cost destinations (Naumann.2006, pp.11).

2.4 Effects of Quota Regime

One of the important effects of MFA/ Quota regime was that many producers shifted their production base from highly quota restricted countries to the less-restricted ones. This shift derived the industrialised countries to impose more restrictions further shifted to unrestricted countries. This served the base to expand the capacity of global production. Besides the main exporters, this shift created the opportunities for those suppliers who may not have tested their fate as exporters in global textiles and clothing market.

In order to protect their domestic textiles and clothing industry, developed countries started making heavy investment in machines and tools; as a result their textiles and clothing industry became one of the most capital-intensive industries in the world.

MFA derived the feeling of quality consciousness among the developing countries. This proved to be good in respect of the developing countries because in order to minimize the adverse affect of MFA and maximize their gain, they started improving the quality of their products. This move of developing countries upgraded their quality standard and created further competition for the quota imposing countries because they had the fears that the developing countries may overtake their domestic industry in terms of quality. Therefore, in the desire to retain their position, quota imposing countries also started to improve their quality by making huge investment.

The ATC period was also important because it fetched a wide contraction in tariffs on the import of industrial goods. This also affected the textile and clothing sector, with the conclusion being that scope of preference for countries not forced by quotas, or in possession of additional market preferences beyond those agreed to under the WTO, took on further importance. China until her WTO membership in 2001 did not get the benefit from Most-Favoured Nation (MFN) principles that member states broadened towards each other, thus she was forced not only in absolute terms (quotas) but also in relative terms in respect of the limit of preference due to generally lower tariffs or with in specific preferential trade regimes and agreements (Naumann, 2006, pp.13). This encouraged the continued dispersion of the sector.

There were many other factors like rise in quotas, levies, embargoes, additional customs procedures and requirements, rules of origin and so on, which assigned due importance to preferential trade agreements. The ATC period had its own importance. First of all it brought MFA to its end and led to a wide contraction in tariffs on the import of industrialised goods. ATC removed the differences between textiles and clothing sector and other sectors by maintaining a balance between textiles and clothing products and all other industrial products.

2.5 Impact of MFA Phase-Out on Asian Countries

The export of textiles and clothing products has always been subject to quantitative restrictions under quota regime. The developed countries like US, EU and Canada fixed limits and beyond these limits developing countries were not allowed to export textiles and clothing products in international market. This attempt of the developed countries to restrict the export of developing countries was just to shield their domestic textiles and clothing sector from external competition. But the gradual removal of quantitative restrictions started accelerating the pace of textiles and clothing trade in general and export of textiles and clothing products in particular. In fact the elimination of restrictions brought a relief for developing country exporters, especially for those who might not have entered into international market as suppliers. The developing countries had great hopes of achieving a rapid growth in textiles and clothing exports as quotas disappeared. During the period of removal of quotas some developing countries emerged as winners and some as losers. India and China both emerged as winners. The impact of removal of quotas on some Asian countries is discussed below:

2.5.1. China

Since ancient times, China has been a key player in the textiles and clothing market. The earliest evidence of textiles production in China is cocoon of "bombyxmori", the domesticated silkworm, found in Xia, Shanxi, dated between 5000 and 3000 BC (Biselli, 2009).

The textiles and clothing industry plays a very significant role in China's foreign trade and economic development. It is the largest manufacturing industry in China (Qiu, 2005). According to Jiang Hui, chairman of China Chamber of Commerce for Import and Export of Textile and Apparel 'through the past three decades, China has become the largest producer and exporter in the textile and apparel industry' (www.china.org.cn).

Quotas on textiles and clothing were removed in phases. Some developing countries started gaining from the first stage of removal of quotas but China could not get the benefit in first three phases. This happened due to the strategy of back-loading by developing countries resulting in many important items of textiles and clothing remaining for quota removal in the last phase of the schedule for the end of 2004 (Rameshan, 2005).

As soon as the quotas were removed almost in full on 31st Dec. 2004 a notable growth in the China's export of textiles and clothing to the developed countries like EU & US was noticed. Since quotas on textiles and clothing of China were removed there has been a boom in the sale of items such as trousers, blouses and shirts in both EU & US markets. Chinese textiles and apparel exports to US was increased by 62.5% in the first quarter of 2005 immediately after the phase-out of quotas as compared to the exports in 2004 (Klako Group, 2005).

The two main factors that made China develop in global market are: the low wage cost and the integration of China's entire textiles value chain. Despite the fact that developing countries like India, Bangladesh, Cambodia and Vietnam also have low wages but the advantage for China is that she has high productivity with low wages. Moreover like India, China is the country which is least dependent on imports of textile raw materials (Heymann, 2005).

2.5.2. India

With the removal of all left out quotas from 1st January 2005, the textiles and clothing sector is now fully integrated into the regulatory framework of the GATT of the WTO (Tewari, 2005).

Buyers are now free to get any amount of textiles and clothing from any country and similarly suppliers are also free to export as many products as they wish to any country. Like any other developing country, textiles and clothing play a very important role in Indian economy. Indian textiles sector is the second largest employment sector employing nearly 35 million people and accounting about 27% of India's total foreign exchange (Ministry of Textiles, 2010).

The complete removal of quotas in 2005 has had a very energetic impact on Indian textiles export. Infact during the elimination period it was expected that India would overtake China in production as well as in export of textiles and clothing but

China presumed to be a better player. If an analysis of the performance of India and China in the world's two largest textiles and clothing market EU and U.S. is maid, it can be concluded that India in comparison to China has not been able to achieve benefit significantly in these markets from the elimination of quotas on textiles and clothing (Rameshan, 2005).

So if India wants to overtake her old rival China, she has to sharpen her skills, improve technology and invest more in new schemes in her textiles and clothing sector.

2.5.3. Bangladesh

The apparel sector occupies a prominent place in the economy of Bangladesh. For the past three decades the growth in Bangladesh apparel sector has been commendable. The industry plays a key role in employment generation for it, directly provides employment to about 1.8 million people or about 40 % of manufacturing sector employment, 90 % of whom are women (Yang & Mlachila, 2004). By taking the advantage of an isolated market under the provision of MFA of GATT, it achieved a high profile in terms of foreign exchange earnings, exports, industrialisation and contribution to GDP within a short period of time (Uddin & Jahed, 2007).

The export quotas on apparel were less restrictive for Bangladesh as compared to its main competitors India and China. This removal of export quotas dropped the prices of apparel from India and China more than that from Bangladesh thusmaking Bangladesh less competitive (Lips, M., Tabeau, A., Tongeren, F.V., Ahmed, N. &Herok, C., 2003). Bangladesh's apparel export earnings were only about US $ 0.8 billion in 1981 but increased to US $ 1.7 billion in FY 1991, US $ 6.5 billion in FY 2001 and US $ 16.2 & in FY 2010 (Rahman, 2011).

At the time of removal of quotas it was expected that India and China might defeat Bangladesh as exporter but regardless of all these fears Bangladesh stood strong and maintained her share in international textiles and clothing market. The three main factors that are considered as the contributors in the Bangladesh's impressive textiles and apparel export performance are low wages, initial FDI inflows, and generous quotas in the restricted markets relative to its main competitors (India and China) (Yang &Mlachila, 2004). Besides the positive results of phase-out of MFA in Bangladesh's apparel sector, the country is facing harsh challenges like shortage of raw materials, limited market, political unrest, poor infrastructure, low wages and other such factors. Labour unrest is one of the severe challenges that the entrepreneurs of Bangladesh are facing and the main reason of this unrest is the lower wages. The workers demonstration against unsustainably lower wages in apparel sector is justiceable because of the increasing cost of living in Bangladesh (Sultana, S., Alam, M. A., Saha, A. K., Ashek, U.M., & Sarker, M. A. T. 2011). In order to be more competitive in international textile and apparel market, Bangladesh is required to expend her production base. To achieve this objective it is necessary for Bangladesh to improve her infrastructure, to provide good working environment to the employees with safety measures, diversify her market, adopt new technologies and make new innovations. Among all these measures one measure that needs importance is the increment in wages. This will boost the morale of workers and as a result they will put their best to increase the productivity.

2.5.4. Sri Lanka

Sri Lankan textile and apparel sector is the most important and dynamic contributor to her overall economy. The industry contributes nearly 40 % of the Sri Lankan industrial production and accounts for about 8 % of the GDP (Wijayasiri & Dissanayake, 2008). Over the past three decades the country has developed a skill base in research, design and innovation accounting for top quality manufacturers. U.S. and EU are the largest markets for garment export of Sri Lanka (Textile & Apparel Industry, 2011). U.S. accounts for 56% of the exports while EU holds a share of 39% (Wijayasiri & Dissanayake, 2008).

Like other developing countries, Sri Lanka was also bound by the quotas for her export of textile and apparel products. Sri Lanka became quota free in 2001 and gained access to EU market with an aim to increase her garment supply to the market (Kelegama, 2005). After the phase-out of MFA, Sri Lanka had tough competition with India and China. In order to face the competition Sri Lanka adopted the strategy of innovation regarding product, process, marketing and organizational structure (Wijayasiri & Dissanayake, 2008).

Sri Lankan garment industry possesses competitive strength in terms of cheap labour, literate labour force, high labour standards, investment friendly government policies and strategic shipping lanes (Kalagama, 2005). However, Sri Lankan garment industry holds some weaknesses, as well as, such as low wages, high cost of infrastructure: electricity and water, lack of knowledge regarding new designs and product development, lack of raw materials, among other (Mataraarachchi & Heenkenda, 2012).

To stand strongly in front of India and China in international textiles and apparel market, it is necessary for Sri Lankan textiles and apparel sector to become more liberalised and try to capture greater share in global market. To achieve this motive Sri Lanka is required to change her traditional behavior. Sri Lanka is required to revise her wage structure in textile and apparel industry. Initiatives should be taken to provide healthy working environment to motivate employees to improve their productivity. Sri Lankan textile sector should adopt new and latest technologies and make new innovations in product and process design. It should undertake market research in order to know about the product and pricing policies of her rivals. Above all what needs greater attention is the education of the workers. There should be proper training and development programmes for the workers. This will upgrade their knowledge and skills and they will learn to handle the machines and tools with greater care and will devote their time and energy to increase the profit of the industry.

2.6 Conclusion

Textiles industry is undoubtedly one of the oldest and most firmly established industries. Because of her uniqueness, the trade in textiles has traditionally been subjected to quantitative ceilings. Export of textiles and clothing items from developing countries were subjected to the quotas imposed by developed countries. The conscious steps took by developed countries to protect their domestic markets from external competition resulted into quotas. On one side these quotas proved to be a protective shield for developed countries but on another side these quotas resulted into high prices of textiles in domestic markets of developed countries. Soon after the removal of quotas on 1st Jan 2005, textiles industry in developing countries took a new birth. India and China have been accepted as the winners. But the rate of growth in India's textiles export is lower than that of China. To become competitive in international textiles market, India needs to be more innovative in technology, R&D, infrastructure, methods of production and others.

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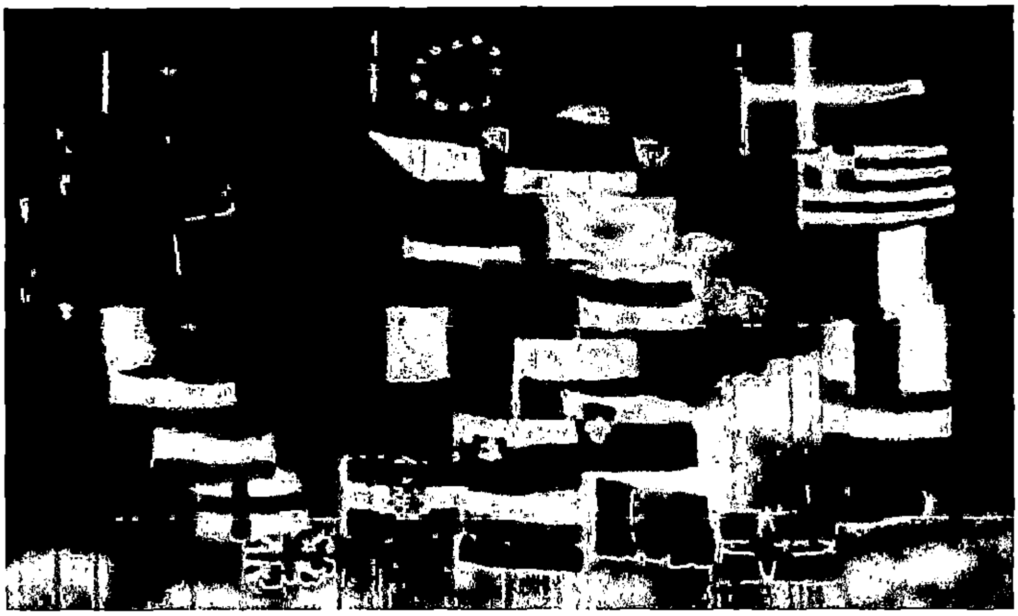
Chapter-3

Chapter 3

EUROPEAN UNION

In this chapter, the economies of member nations of European Union are analyzed with special reference to their trade policy frame work.



In the previous chapter the agreement related to textile and clothing i.e. Multi-fibre Agreement has been discussed. Evaluation of four stages of phase-out of MFA and its impact on some developing countries has also been discussed in the same previous chapter.

In the present chapter an attempt is made to discuss the 27 nation European Union. This chapter not only describes the formation of EU, but also the economies of its 27 members.

3.1 Introduction

It is broadly accepted that the whole economy has experienced an extraordinary growth of economic and financial integration since the latter part of the twentieth century.

> Since the travels of Marco Polo seven centuries ago, global economic integration through trade, factor movements and communication of economically useful knowledge and technology- has been on a generally rising trend. This process of globalization in the economic domain has not always proceeded smoothly. Nor has it always benefited all whom it has affected. But, despite occasional of the Roman Empire or during the inter-war period in this century, the degree of economic integration among different societies around the world has generally been rising. Indeed, during the past half century, the pace of economic globalization (including the reversal of the interwar decline) has been particularly rapid. And, with the exception of human migration, global economic

> integration today is greater than it ever has been and is likely to deepen going forward **(Musa, 2000).**

Based on the type and nature of economies and their histories, regional integration chases remarkably different patterns across the world. There are number of reasons for which countries coordinate their economic policies. Through coordination and cooperation, countries can achieve even those benefits that otherwise are not possible. By coordinating and fixing zero tariffs against each other's trade the two countries can easily procure short-term advantages like by setting optimal tariff.

Countries may also get benefit by liberalizing their labour force and capital across the borders. They can also coordinate their monetary and fiscal policies and allocate resources towards agriculture and service sectors by way of economic integration.

Economic Integration is the consolidation of policies between two or more countries by way of full or partial abolition of tariff and non-tariff barriers to trade taking place among them before integration.

> Economic integration is an agreement among countries in a geographic region to reduce and ultimately remove, tariff and non tariff barriers to the free flow of goods or services and factors of production among each others; any type of arrangement in which countries agree to coordinate their trade, fiscal, and/or monetary policies are referred to as economic integration (Business Dictionary).

Obviously, there are different degrees of integration namely: Preferential Trade Agreement (PTA), Free Trade Area (FTA), Custom Union, Common Market, Economic Union, and Monetary Union.

Preferential trade agreement is said to be the weakest form of economic integration. Under PTA countries reduce their tariffs, but do not eliminate it completely, to compensate partner countries in some product categories. However higher tariffs, though non-discriminatory, remain in all other product categories. This type of trade agreement is not permissible among WTO members who are constrained to grant most-favored nation status to all other WTO members (Steven, n.d.). As per the most-favored nation (MFN) rule of WTO, member countries are not allowed to discriminate against other. For example if a country sets a low tariff of 4 % on the import of tea, such tariffs will be charged on tea imports from all other WTO member countries. Discrimination or preferential treatment for some countries is not allowed under PTA. However the member countries are free to charge a higher tariff on imports from non-WTO members. In 1998 the US proposed legislation to eliminate tariffs on imports from the nations in Sub-Sahara Africa. This action represents a unilateral preferential trade agreement since tariffs would be reduced in one direction but not the other (Suranovic, 2010).

Next degree of economic integration is Free trade area (FTA). Free trade area is a type of trade block, a designated group of countries that have agreed to eliminate tariffs, quotas and preferences on most (if not all) goods and services traded among them. It can be considered the second stage of economic integration (Economic Integration n.d.).

The North American Free Trade Area (NAFTA) and Central European Free Trade Agreement (CEFTA) are the examples of FTA (Free Trade Area, n.d.). Custom union also represents a degree of economic integration. Custom union is a type of trade block which is composed of a free trade area with a common external tariff (Economic Integration n.d.). The participant countries set up common external trade policy, but sometimes they use different import quotas. Common competition policy is also helpful to avoid competition deficiency. The European Union is an example of custom Union. It is the third stage of Economic Integration (Custom Union, n.d.). Common market is a type of trade bloc which is composed of a free trade area (for goods) with common policies on product regulation, and freedom of movement of the factors of production (capital and labour) and of enterprise and services (Economic Integration n.d.). The goal of common market is to make the movement of capital, labour, goods and services among the members easy (Common Market n.d.). The European Union was established as a common market by the Treaty of Rome in 1957 (Steven, 1999). Today, EU citizens face no restriction. They have a common passport and can work and invest throughout the union without any restriction.

An economic union is composed of a single market with a common currency (Economic Integration n.d.). The participant countries have both common policies on product regulations, freedom of movement of goods, services, the factor of production (capital and labour) and a common external trade policy (Economic Union n.d.). The European Union's common Agriculture Policy (CFAP) represents such a union.

Monetary union is a union formed by two or more countries who agree to share common currency. Under monetary union a central monetary authority is formed which decides the monetary policy for the member countries **(Cohen, n.d.)**. United States is the best example of economic and monetary union. In US each state possesses its own government which is responsible to formulate policies and laws for its own residents. However to some extent, each state surrenders some control over foreign policy, welfare policy, agricultural policy and monetary policy to the federal government (Suranovic,2010). Factors of production and goods and services can move freely among the US states without any restrictions and the nations formulate a common external trade policy.

3.2Formation of European Union

3.2.a Historical background

Creation of the unified Europe was not a new idea. "Frankish emperor Charlemagne, in the 9th century attempted to dominate most of Europe. In the 1930's, Adolph Hitler also tried to control all of the Europe" (Introduction to The European Union n.d.pp1). The European history is full with wars fought over land, religion and resources. The disastrous results of World War II made it clear that violence could not merge the whole Europe. Europeans thought that in order to work together and live life peacefully, wars, rivalries and racism have to put away.

The **Marshal Plan**[1]and the **Berlin Airlift**[2] were just two examples of how allied nations joined hands to work together to help, instead of punishing, the conquered nations of World War II (Introduction to the European Union n.d., pp. 2). They wrote a chapter in European history and set the path for a peaceful unification of Europe. On **May 9, 1950,** French Foreign Minister Robert Schuman declared a plan-in a speech inspired by French businessman turned-advisor Jean Monnet who believed that a union of European nations could better compete against countries with

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1 **Marshal Plan-** in 1948, food, machinery and other products were sent to the devastating areas of Europe in order to increase productivity and to help them to recover and rebuild (Introduction to the European Union n.d.).

2 **Berlin Airlift** - in 1948 the Soviets began a blockade of the Allies Sectors of Berlin, hoping the West Berliners would be forced to accept communism. The United States responded with the world largest airlift. The operation was code named "Operation Vittles". In the course of the operation over 150,000 flights delivered 2,325,000 tons of food and fuel(Introduction to the European Union n.d.).

a larger pool of resources, like the United States- that proposed the integration of European producers of coal and steel, such as France and West Germany under a common authority (The European Union: A Guide for Americans, 2007, p.2). As a result Belgium, Luxemburg, the Netherlands, Western Germany, France and Italy accepted the French proposal and signed the **European Coal and Steel Community (ECSC) Treaty** in Paris on April 18, 1951 (Introduction to the European Unionn.d.p.2).

Thus the six European countries paved the way for an integrated Europe. Under this treaty tariffs and quotas were eliminated on trade in iron ore, steel, coke and coal within the six nation economic union. The six setup the ECSC High Authority to which the member governments contributed portion of their sovereign powers (The European Union: A Guide for Americans, 2007, p.2).

After the success of ECSC, the six joined hands in the field of military and politics. To increase the areas of cooperation two new treaties were signed. A historic meeting was held in Massina, Italy, in June 1955 for the negotiation of two treaties. These treaties were called the Rome Treaties, the first one was the European Economic Community (EEC, or Common Market) and the second one was European Atomic Energy Community (EAEC) or EURATOM (The European Union: A Guide for Americans, 2007, pp.2,3). Euratom treaty was created to promote the use of nuclear energy for peaceful purpose. Both EEC and EAEC Treaties came into force in January 1958 (Introduction to the European Union, n.d.pp. 5)

3.2.b The Treaties

The European Union came into existence through a chain of treaties that represents the mutual cooperation of Member States. Treaties were formed by member states through intergovernmental conferences.

"This process started with three separate treaties dating from 1950s, namely the European Coal and Steel Community Treaty (ECSC), the European Atomic Energy Community Treaty (EURATOM), and the European Economic Community Treaty (EEC). In 1967, the ECSC, the EAEC, and the EEC jointly came to be known as the European Communities (EC)" (The European Union: A Guide for Americans, 2007, p.3). In 1973 the EC consisted of nine countries: France, West Germany, Italy, Luxemburg, the Netherlands, Belgium, the United Kingdom, Ireland and Denmark (Introduction to the European Union, n.d., p. 5).

In 1980's, Greece (1981), Spain (1986), and Portugal (1986) joined the EC and the number of EC member countries raised to twelve. Another important development of this period was the creation of the 'Single European Act' in 1987 (Introduction to the European Union, n.d.,p 8). It facilitated the creation of single market of the EC nations and strengthening their policies by including issues such as health, environment and employment (Europa Summaries of EU legislation, 2007).

In 1990's, the Schengen Agreement was signed, under this agreement people can easily travel throughout the member countries without showing their passports at border crossings.

(i)The Treaty of the European Union (TUE) signed in Maastricht, Netherlands in 1992, called Treaty of Maastricht (The History of the European Union: The European citizenship,2003). It introduced a turning point in the European integration process. In 1995, three more nations namely, Austria, Finland and Sweden joined the EU (Introduction to the European Union, n.d.pg. 8). The Maastricht Treaty defined the **three pillars** of the European Union:

a. **Pillar One**

Pillar one incorporates the European Community, the European Coal and Steel Community (ECSC) and Euratom formed the 'European Community' and sets out the institutional requirements for Economics and Monetary Union (EMU). It also gave authority for action in the areas such as environment, research, education and training.

b. **Pillar Two**

Pillar second established common foreign and security policy (CFSP). This replaced the provision of the Single European Act and allowed member states to take joint actions in foreign and security affairs.

c. **Pillar Three**

Pillar three created the Justice and Home Affairs (JHA) policy to take joint actions so as to offer European Citizens a high level of protection in the field of security, security and justice. The CFSP and JHA operated by inter-governmental cooperation, rather than through the community institution that operate Pillar One (The European Union: A Guide for Americans,2007).

(ii)The Treaty of Amsterdam

It came into existence in 1999 (Introduction to the European Union, n.d.,p 8) . Its main objective was to reform EU institutions in order to support its economic and security objectives. The major provisions of the Treaty of Amsterdam were to include the absorption of Schengen Convention into EU Law; extend the scope of qualified majority voting; create open borders between twelve of the member states; expand the role of the Common Foreign and security Policy (CFSP) by creating a High Representative to take over all responsibility for EU foreign affairs; enhance the European Parliament's competences; extend the number of policy areas of employment, social issues, and immigration in which Parliament can exercise vote power (The History of the European Union :The European citizenship,2003). At the same time, however, member states that "constructively abstain" CFSP issues were not allowed to take any action that hindered the majority action (The European Union: A Guide for Americans,2007, p.3).

By the end of the 20th century, the EU had become a powerful economic and political body consisting 15 European nations.

(iii)The Treaty of Nice (2003)

> The Treaty of Nice agreed by the Heads of State or Government at the Nice European Council on 11 December 2000 and signed on 26 February 2001, is the culmination of eleven months of negotiation that took place during an Intergovernmental Conference (IGC) opened in February 2000. It entered into force on 1 February 2003 after being revised by the fifteen Member States of the European Union (EU) as per their respective constitutional rules (Europa: Summaries of EU legislation, 2007)

The objectives of the treaty of Nice included extending qualified-major voting, re-weighting the votes in the council of the European Union and extending the use of enhanced cooperation, encouraging eight Member States to proceed with policy initiatives that do not violate the rights of other members (The European Union: A Guide for Americans,2007, pp.8).

(iv) European Constitutional Treaty

In October 2004, the Heads and Government of the 25 European Union Member States agreed on the landmark "Treaty establishing a constitution for

Europe". The 'constitution' as the Treaty was commonly known, represented a significant step for European integration. A process was initiated in the 1950s by the visionaries seeking prevention of future wars and promotion of prosperity and security on the European continent (European Union, 2005).

The main objectives of constitution included the abolition of EU's rotating European Council presidency; appointment of a single individual to serve as president of European Council for up to five years; creation of the post of foreign minister and a foreign services, advancement in the powers of the European Parliament and simplification of the EU voting procedure (The European Union: A Guide for Americans,2007, pp.9).

In order to become functional, the constitution required ratification by all EU Members States. Each had to follow its constitutional ratification procedures. In some cases it included a popular referendum or parliamentary vote. If two years after the signature of the Treaty (October 29, 2004), unanimous approval had not been reached but at least 80 percent of the Member States had ratified the Treaty, the matter would be referred to the European council (Delegation of the European Commission to the USA,2007).

In order to carry the management and working of the union on several committees and consultative bodies were formed. Some of which are mentioned below:

3.3 Structure of European Union

3.3. A. Governing Institution of EU

The EU is run and governed by a number of institutions that depict the EU's unique and inter-governmental character. These governing institutions are given below:

a. **The European Commission**

The European Commission is the executive body of the European Union. The body is responsible for proposing legislation, implementing decision, upholding the Union's treaties and the general day-to-day running of the union (European Commission n.d.).

'European Commission' is composed of 25 appointed men and women commissioners, one per EU country, each of whom is accountable for specific policy areas. They are appointed by the governments of the 25 EU countries for a period of five years (European Commission,2005). The commission ensures the effective implementation of EU treaties, represents EU on international level and negotiates with non-EU member countries in the areas that fall under the competence of the European Commission (The European Union: A Guide for Americans,2007).

b. **The Council of the European Union**

The council is the principal decision making-body of EU and is responsible to pass EU laws. It coordinates the broad economic policies of EU member countries, signs agreements between the EU and other countries, approves the annual EU budgets, develops the EU's foreign and defense policies and take care of the cooperation between counts and police forces of member countries (European Union, n.d.).

c. **The European Parliament**

Since 1979, the European Parliament members have been directly elected by the EU's citizens under a system of population-based proportional representation, with each member serving for a period of five-year term (European Union,n.d.).

d. The European Court of Justice

The European court of Justice is based in Luxembourg. It was setup under the ECSC (European Coal and Steel Community) Treaty in 1952. Its main job is to make sure that EU legislation is interpreted and applied uniformly in all EU countries, so that the law is equal for everyone (European Union,n.d.).

e. The European Court of Auditors

The European Court of Auditors was setup in 1975 and is based in Luxembourg. The court's duty is to check that EU funds, which come from the tax payers, are collected properly, spent legally and economically and are utilized for their intended purpose. ECA has the authority to audit any person or organization handling EU funds to make sure that the tax payers get maximum value for their money (European Union, n.d.).

3.3. B. Advisory Bodies:

a. **The European Economic and Social Committee**

Founded in 1957 under the Treaty of Rome, the European Economic and Social Committee (EESC) is an advisory body representing employers, trade unions, framers, consumers and other interest groups that collectively makeup 'Organized Civil Society'(The European Union: A Guide for Americans,2007). It represents their views and defends their interests in policy discussions with the commission, the council and the European Parliament (European Union,n.d.).

b. **The Committee of the Regions**

Set up in 1994 under the Treaty of European Union, the Committee of the Regions (CoR) is an advisory body whose members represent Europe's regional and local authorities (European Union,n.d.).

3.3.C. Financial Bodies

a. The European Central Bank

The ECB was setup in 1998 and is based in Frankfurt, Germany (The European Union: A Guide for Americans, 2007). Its job is to manage the euro-the EU's single currency. The ECB is also responsible for framing and implementing the EU's economic and monetary policy (European Union,n.d.).

b. The European Investment Bank

The European Investment Bank was setup in 1958 by the Treaty of Rome (The European Union: **A Guide for Americans, 2007**). Its job is to borrow money from the capital markets and lend it at a very reasonable interest rate for projects of European interest that improve infrastructure, energy supply or environmental standards both inside the EU and in neighboring and the developing world (European Union, n.d.).

c. The European Investment Fund

The European Investment Fund was setup in 1994 to help small businesses (European Union,n.d.).

3.3.D. EU Agencies

A number of specialized and decentralized EU agencies have been established to support the EU Member States and their citizens. The EU agencies are grouped into 5 different categories:

- Community agencies;
- Common Security and Defense Policy agencies;
- Police and judicial cooperation in criminal matters agencies;
- Executive agencies;
- EURATOM Agencies and bodies (European Union,n.d.).

3.4 Members of European Union

Before discussing the members of EU, and their economies, let us have a glimpse of their demographic structure and economic indicators. The following table represents 27 EU members with their population, GDP, Voting weights along with their number of members of European Parliament and currency. Germany stands first in terms of GDP and France has the second highest GDP among all EU members.

Table 3.1

The 27 European Union Member States

Country	Year of entry	Council Votes	Members of European Parliament	Population (millions)	GDP at market prices(million Euro)2013	Currency
Austria	1995	10	18	8.5	322,190.4	Euro
Belgium	1952	12	24	10.8	396,273.8	Euro
Bulgaria	2007	10	18	7.6	-	Lev
Cyprus	2004	4	6	0.8	19,167.5	Euro
Czech Republic	2004	12	24	10.5	160,030.9	Czech Korune
Denmark	1973	7	14	5.5	258,155.3	Danish Crown
Estonia	2004	4	6	1.3	18,163.9	Estonian Kroon
Finland	1995	7	14	5.3	206,115.5	Euro
France	1952	29	78	63.3	**2,092,928.4**	Euro
Germany	1952	29	99	81.4	**2,705,181.1**	Euro
Greece	1981	12	24	11.3	214,309.2	Euro

Hungary	2004	12	24	10	100,059.5	Forint
Ireland	1973	7	13	4.4	164,621.6	Euro
Italy	1952	29	78	61.5	1,660,133.6	Euro
Latvia	2004	4	9	2.2	21,888.0	Lats
Lithuania	2004	7	13	3.2	34,545.2	Litas
Luxembourg	1952	4	6	0.5	45,035.9	Euro
Malta	2004	3	5	0.4	7,008.3	Euro
Netherlands	1952	13	27	16.6	639,563.6	Euro
Poland	2004	27	54	38.2	372,417.2	Zloty
Portugal	1986	12	24	10.6	172,647.7	Euro
Romania	2007	14	35	21.5	147,800.8	Leu
Slovakia	2004	7	14	5.4	75,123.1	Slovak Koruna
Slovenia	2004	4	7	2	-	Euro
Spain	1986	27	54	46	1,123,495.9	Euro
Sweden	1995	10	19	9.3	409,582.5	Swedish Crown
United Kingdom	1973	29	78	62.6	1,931,407.6	Pound Sterling
EU 27 total		345	785	500.6	13,297,846.50	

Source: Europa.eu

Before going into further details of Indo-EU trade, it would be highly logical to peep into the socio-economic conditions, consumptions and production patterns having implication on their foreign trade.

3.4.1. Austria

Source: Europa.eu

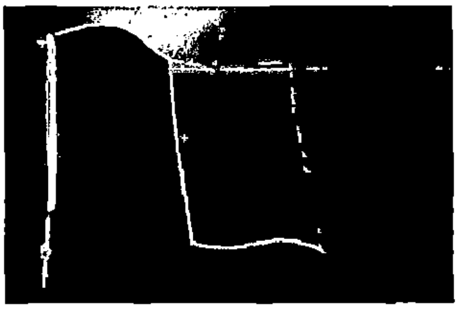
Austria is bounded in the north by Germany and the Czech Republic, in the east by Slovakia and Hungary, in the South by Slovakia and Italy and in the West by Switzerland and Liech Tenstein. She joined the EU on 1st Jan 1995. Besides, she is also a member of UN, Council of Europe the Central Europe initiative OECD an NATO partnership for peace.

Austria has good trade terms with both other EU members, and non-E members. Its economy features a large service sector. Following several years of soli foreign demand for Austrian exports and record employment growth, the globa financial crisis and global economic downturn in 2008, short but brief recessio erupted. In 2009, Austrian GDP dipped by 3.9% but felt a positive upward trend o about 2% in 2010 and of about 2.7% in 2011. However, in 2012, it experienced down trend again and slipped to 0.06%. (CIA World Factbook,2013).

Austria's biggest export partner is Germany. It accounts almost 31.5% of th total trade. Italy stands second with 8.6% and USA third with 4.3% (CIA Worl Factbook).

Austria's export is dominated by Machinery, Equipments, Motor vehicle Paper, paper board, Metal goods, Iron, Steel, Textiles, and Food stuffs (Econom Watch, 2010).

3.4.2. Belgium



Source: Europa.eu

Belgium is bounded by the Netherlands in the north, North Sea in the Nor West, France in the West and South Germany and Luxembourg in the eas Surrounded by the four member nations, Belgium has a sound economy and goo trade relations with her co-members. In 1952 Belgium entered EU. According to th primary data for 2010, her export earnings rose remarkably due to increase in glob demand and weakness of the Euro. "Due to financial crises Belgium's import wa heavily affected in 2009. Belgium's export was $315.4 billion and imports were $32 billion in 2012. Approximately 70% of the Belgium's trade is with fellow E nations"(CIA World Factbook,2013). The major export commodities of Belgiu consist of automobile, medicament mixtures put in dosage, and unmounted or set diamonds. EU and U.S. are the leading export destination of Belgium. Machinery & equipment, chemicals, diamonds, pharmaceuticals, foodstuffs, transportation equipments and oil products are the items that dominate the import category of Belgium. Its major import partners are EU member nations, US and China (Trading Economics, n.d.).

3.4.3. Bulgaria

Source: Europa.eu

"Bulgaria is located in the heart of the Balkans, she offers a highly diverse landscape. Bulgaria is dominated in the north by vast lowlands of the Danube and in the south by the highlands and elevated plains. In the east, the Black Sea coast attracts tourists all year around" (European Union, n.d.). Bulgaria is bounded in the north by Romania, in the west by Serbia and the Republic of Macedonia and in the South by Greece and Turkey (Bulgaria, n.d.).

Bulgaria functions as a parliamentary democracy with a unitary constitutional republic. She is a member of the EU, NATO, United Nations, the council of Europe, the WTO and a founding State of OECD and the Black Sea Economic Cooperation Organization (Bulgaria, n.d.). "Bulgaria a former Communist country that joined EU in 2007, averaged more than 6% annual growth from 2004 to 2008, derived by significant amount of bank lending, consumption, and foreign direct investment. Its GDP dipped by 5.5% in 2009, remained stagnate in 2010 and grew by 1.7% in 2011 and by 1% in 2012 (CIA World Factbook,2013). Still she is one of the weakest nations in EU in terms of GDP. Bulgaria exports mainly clothing, footwear, iron& steel, machinery & equipment, and fuel whereas its import basket consists of machinery & equipment, metals and ores, chemicals, plastics, fuels, minerals, and raw materials (Economy Watch, 2010).

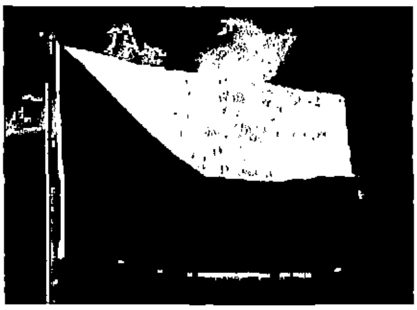
3.4.4. Cyprus

Source: Europa.eu

Cyprus is the largest island in the eastern Mediterranean and is situated in the south of Turkey. "It is bounded by Greece in the east, by Turkey in the South, by Syria in west and by Egypt in the north. Cyprus is the third largest island on the Mediterranean Sea and one of its most popular tourist destinations. She is advanced and has a high-income economy with a very attractive Human Development Index. The Republic of Cyprus was a founding member of the Non-Aligned Movement until it joined the EU on 1 May 2004" (Recreational Geography,2011).

Cyprus under governmental control has a market economy dominated by the service sector, which accounts for four-fifths of GDP **(CIA World Factbook,2013)** .World Bank has declared Cyprus as a high-income country, whose economy is mainly built upon the service sector, including tourism, financial services and real estates, which accounts for 83.9% of the island's total GDP and 74.5% of employment (Cyprus Profile, 2013). Cyprus is regarded as being among the biggest importers of agricultural goods from all over the world. Greece has been the major export and import partner of Cyprus (Cyprus Export, Import and Trade).

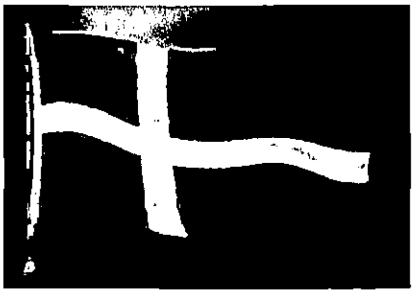
3.4.5. Czech Republic



Source: Europa.eu

The Czech Republic is a landlocked country in central Europe (Czech Republic, n.d). The country borders Poland to the northeast, Germany to the west and northwest, Austria to the south and Slovakia to the east. She has been a member of EU since 2004. The Czech Republic is a stable and prosperous market economy closely integrated with the EU (CIA World Factbook, 2013). "The country has faced both the trade deficit and the balance of payment deficit over the years. Czech Republic mainly exports machinery, transportation equipments, raw materials, manufactured goods and fuel. Its export partners are Germany, Slovakia, Austria, Poland, France, UK and Italy. The major items that Czech Republic imports include machinery and transportation equipments, chemicals and fuel. Her main import partners are Germany, Slovakia, Italy, Poland and Russia"(Economy Watch, 2010).

3.4.6. Denmark

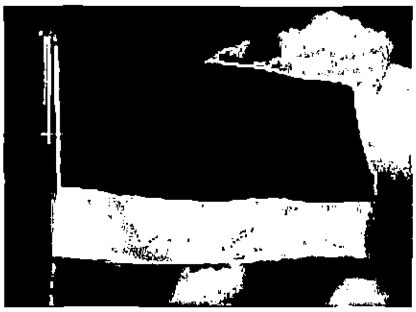


Source: Europa.eu

Denmark is bounded in the west by North Sea, in the North West by Skagerrak and Kattegat Straits (separating at Norway and Sweden) and in the South by Germany. Denmark has a modern open market economy that features high-tech agriculture, fisheries and farming, up-to-date small-scale and corporate industry, extensive government welfare measures, comfortable living standards, a stable currency, and high dependence on foreign trade (Economy Watch, 2013). It has been a member of EU since 1973.

Though small in size, Denmark is a rich country with an open economy which depends largely on foreign trade and investment to generate high level of income. Denmark had a GDP of about US $ 318 billion in 2009 and has registered as the 11th richest country in the world. India has good commercial and economic relations with Denmark. India's commodity exports to Denmark stood for US $ 689 million in 2009, recording a marginal decrease of less than 1 % over 2008.

3.4.7. Estonia

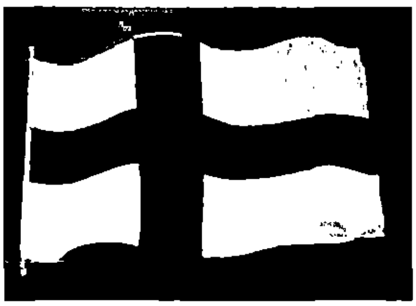


Source: Europa.eu

Estonia, officially the Republic of Estonia, is a state in the Baltic Region of Northern Europe. Estonia is bounded in the north by Gulf of Finland, in the west by the Baltic Sea, in the south by Latvia and in the east by the Russian Federation (Estonia, 2012). Estonia joined EU in 2004. Estonia is one of the least- populous members of the EU, Eurozone and NATO. The Kroon was the official currency of Estonia for two periods in history: 1928-1940 and 1992-2011. Between 1 January and 14 January, the Kroon circulated together with the Euro, after which the euro became the sale legal tender in Estonia (Estonian kroon,2012).

Estonia has a modern and flexible economy. She fell into recession in mid 2008 and because of this in 2009 her export, import and trade was not in an ideal condition. Her GDP dipped by 14.3% in 2009 but it rebounded by around 8% in 2011 and now the economy has one of the higher GDP growth rates in Europe (CIA World Factbook,2013).

3.4.8. Finland



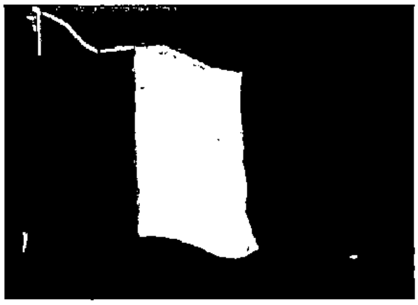
Source: Europa.eu

Since the middle ages Finland has been part of the realm of Sweden. It is bounded in the north east by Russia, in the south by Baltic Sea and in the west by

Gulf of Bothnia and Sweden. Finland has been a member of the EU since 1995. Besides, she is also a member of UN, Nordic Council, OECS, The NATO partnership for peace and the Council of Europe.

Finland is one of the committed members of EU, promoting her enlargement (especially to the Baltic States) and also trying to ensure a continued northern dimensions closely involving Russia. Finland is characterized by a highly industrialized and modern free-market economy. Her export accounts for about one third of her GDP in recent years. Finland had been one of the best performing economies within the EU in recent years and her banks and financial markets avoided the worst of global financial crisis (CIA World Factbook, 2013).

3.4.9. France



Source: Europa.eu

The republic proclaimed the fall of the Bourbon Monarchy in 1792, that lasted until the first empire under Napoleon was established in 1804. France is bounded in the north by English Channel, in the North east by Belgium and Luxembourg, in the East by Germany, Switzerland and Italy, South by Mediterranean, in the South west by Spain and Andorra and in the west by Atlantic Ocean. France is a member of UN, Council of Europe, and NEU. It became a member of EU in 1952.

Despite criticism, particularly from the smaller member states- that she rapidly exploited her position in the chair to promote her own interest, France included her presidency successfully at the EU's summit in Nice on December 1999 by steering through the institutional reform which would allow the EU to expand its membership eastwards.

France experienced fall in earning from exports to a number of her France's largest trading partners, including Germany and the Benelux countries (the

Netherlands, Belgium and Luxembourg), a group of which forms a highly integrated area at the core of the Euro area and which accounts for one-quarter to one-third of French goods exports. The disruption to trade was caused by the fuel protest in September 2000 (Encyclopedia of the Nations, n.d.).

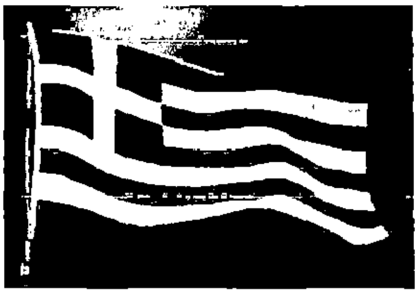
3.4.10. Germany

Source: Europa.eu

Germany is bounded in the north by Denmark and Baltic Sea, in the East by Poland, in the South by Switzerland, in the West by France, Luxembourg, Belgium and the Netherlands. She has been a member of EU since 1952. In addition, she is also an associate of UN, OECS, EWC, NATO and council of Europe.

Germany is one of the active economic players on the EU horizon. The country has aggressive business community, technological advancement, highly developed and committed manpower as well as, abundance of capital. Germany is considered as the business centre for the EU. Drawing upon its capabilities, German trade surplus is piling up and India is no exception to the effect. Its GDP contracted by 5.1% in 2009 but grew by 4.2% in 2010, and 3.0% in 2011 (CIA World Fact book, 2013).

3.4.11. Greece

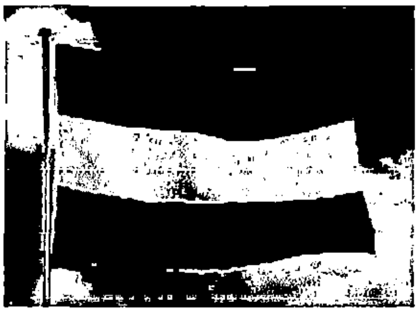


Source: Europa.eu

It is bounded by the Albania in the north, Turkey and Aegean Sea in the east, Mediterranean Sea in the south and lovian sea in the west. Greece is a member of EU, UN, WEU, Council of Europe and NATO. Her Unit currency is drachma (GRD) which is nationally divided in to 100 lepta.

Greece achieved the independence from Turkey in 1830 (CIA World Face book, 2013). The core issue of government foreign policy namely closer integration with the EU and establishing better relations with neighbor, including Turkey, appears to have broad public support.

3.4.12. Hungary



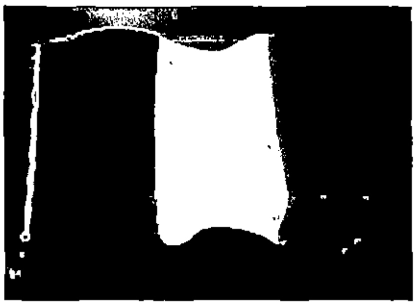
Source: Europa.eu

Hungary is a landlocked country in Central Europe. It is situated in the Pannonian Basin and it is bounded by Slovakia in the north, Ukraine and Romania in the east, Serbia and Croatia in the south, Slovenia in the southwest and Austria in the west (Hungary , n.d.). Hungary joined EU in 2004; she is also a member of NATO and OECD. The **Forint** is the currency of Hungary. The economy of Hungary is a medium-sized, structurally, politically and institutionally open economy.

"The Hungarian economy is closely tied to the fortunes of the leading Eurozone economies, especially Germany. About three quarters of Hungary's exports go to EU countries, primarily Germany, Austria, France and Italy. Russia is also an important trading partner, supplying most of Hungary's natural gas needs and other energy and mineral resources" (Hungary Country brief, 2013).

Hungary's main export includes machinery and transportation equipment, consumer goods, agricultural products, chemicals, apparel, textiles, iron and steel and wine whereas her import comprises machinery and equipment, other manufactures and fuels and electricity. Hungary imports 70% of products from other EU countries (Trading Economics,2013)

3.4.13. Ireland

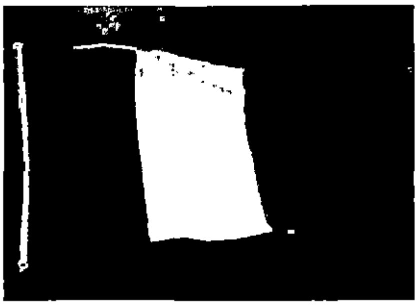


Source: Europa.eu

"Ireland is the third-largest island in the Europe and the twentieth largest island in the world. It lies in the northwest ocean of continental Europe and is surrounded by hundreds of islands and islets. Ireland is bounded by the Great Britain in the east separated by Irish Sea. The island is divided between the Republic of Ireland, which approximately covers five-sixths of the island, and Northern Ireland, a part of the United Kingdom, which covers the remainder and is located in the northeast of the island. She is the member of EU since 1973, UN, OECD, and the Council of Europe"(Ireland, n.d.).

Export plays an important role in Ireland's economic growth. It is one of the largest exporters of the pharmaceuticals and software-related goods and services in the world. Ireland's trade has been the reason for the nation's prosperity. Inspite of the fact that the recession depreciated the sterling and forced the government to implement various strategies, foreign companies, such as Apple, Microsoft, Oracle, Google, IBM, eBay, Pfizer, Cadbury- Schweppes, Dell and Intel, have kept the exports alive through their wide range of products. In 2009, the Irish export reduced to \$ 107.3 billion, from \$ 119.8 billion in 2008. Ireland exports Machinery and equipment, computers, chemicals, pharmaceuticals, live animals, animal products. US, UK, Belgium, Germany, France, Spain, are her main export partners. Ireland imports a huge amount of wood because her own timber industry has subsided due to deforestation and industrial setup (Economy Watch, 2010).

3.4.14. Italy



Source: Europa.eu

She is bounded in the north by Switzerland and Austria, in the east by Slovakia and the Adriatic Sea, in the south east by the Lovian Sea, in the south by Mediterranean Sea, in the south west by the Tyrrhenian Sea and Ligurian Sea and in the west by France. She is a member of EU, NATO, UN, WEU and the Central European initiative. Her Unit Currency is Lira.

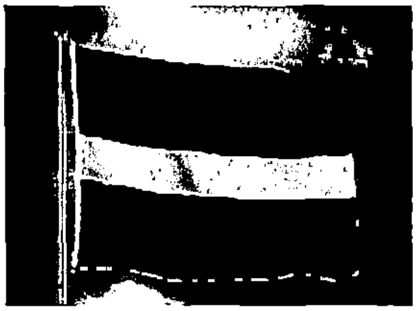
According to the World Bank, Italy has been categorized as a country with high freedom for business, investment and trade. Her economy is more developed than that of UK, Germany and Greece.

Italian economy converted herself drastically after the end of World War II from an agriculture-based economy into an industrial state. As a result, now she stands as the world's eight-and Europe's third-largest economy (Italy Country brief,2013).

Italy's economic strength is in processing and manufacturing of goods, produced by small and medium-sized enterprises, owned by family firms (CIA World Factbook, 2013). "Olives are one of the country's most profitable exports. Italy enjoys a positive trade balance in winemaking sector. Another very important sub-sector in manufacturing industry is textiles and clothing, which boasts some of the world's best known fashion designer labels, namely Valentino, Armani, Versace, Gianfranco Ferre, and Krizia" (Encyclopedia of the Nations, 2013). Most of the raw material needed for manufacturing and more than 80% of the country's energy sources are imported.

Italy's economic growth averaged only 0.8 % in the period 2001-2008. In 2008 her GDP decreased by 1.3% and in 2009 by 5.2%, mainly due to the global economic crises. Italy's closest trade ties are with the other countries of the EU, with whom she conducts about 58.1% of her total trade (2009data). Her largest EU trade partners, in order of market share are Germany (12.9%), France (11.4%), Spain (5.7%) and the United Kingdom (5.1%) (Travel Document System, 2013).

3.4.15. Latvia



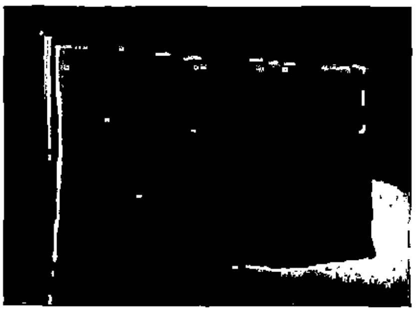
Source: Europa.eu

Latvia is a country in the Baltic region of Northern Europe. She is bordered to the north by Estonia, to the South by Lithuania, to the east by the Russian Federation, and to the southeast by Belarus (Latvia, n.d.)85. Latvia is one of the least populated members of the EU. She has been a member of United Nations since 7th September 1991; of the EU since 1 May 2004 and of the NATO since March 2004. Her Unit Currency is Latvian Lats.

Recession brought the worst for Latvia's economy, with a nearly 18% decline in the GDP in 2009. The IMF and EU bailed the country out of a serious situation, helping to decrease the fiscal deficit from 7.7% of GDP in 2010 to 2.7% % of the GDP in 2012 (CIA World Factbook, 2012). The service sector of Latvia remains the most active contributor of the national GDP, accounting for almost 72.4% of the GDP. The industry sector contributes almost 24% of the national GDP and agriculture sectors 36%. "Latvia's main export items include machinery, metals, textiles Food stuffs. Lithuania, Russia, Estonia, Germany, Sweden and Denmark are the main export partners of Latvia. Latvia's import dipped by 50% as the resources constricted and demand came deteriorated. Latvia's import commodities comprise machinery, equipments, chemicals, fuels and vehicles. Her main import partners are Lithuania, Germany, Russia, Poland, Estonia, Sweden and Finland"(Economy Watch, 2010). Textile and clothing sector sustains a very important position in Latvia. "The output of the textile and clothing sector of Latvia in 2009 was much more than 161 million

EUR and it accounted for 4.1% of the total value of goods produced by Latvian industry. In 2009, the output of both the textile and garment sectors dipped by 43% compared to the preceding year. At the end of 2008, the textile industry employed more than 15000 people, which is around 11.3% of all industrial employees or about 1.4% of the whole Latvia labour force. At the end of 2008, the textile and clothing sector comprised 1043 companies (822 apparel and 221 textile companies)" (LIAA, 2012).

3.4.16. Lithuania



Source: Europa.eu

Lithuania is a country in North Europe, the Southern most of the three Baltic States. Situated along the southeastern shore of the Baltic Sea, it is bounded by Latvia in the north, Belarus in the Southeast, Poland and the Russian exclave of Kaliningrad in the Southwest (Baltic Tours, 2012). Lithuania is a member of NATO, the Council of Europe and the EU since 2004 (Lithuania,n.d.). The unit currency of Lithuania is Lithuanian Litas. After becoming the member of EU in 2004, Lithuania saw its economy boom, touching a height of 8.9% GDP growth in 2007. Strong growth continued through the large part of 2008, but a weak fourth quarter, because of financial crises that spread through the Europe, the growth fell to 3.0% for the year.

In 2009, Lithuanian economy affected badly because of financial crises. The economy dipped by 15.7% in the first three quarters of 2009 compared to 2008, which was the worst performance since 1995 (EU business, 2013). "Lithuania's main exports consist of mineral products (21.6%), machinery and mechanical appliances (9.8%), chemicals (9.3%), and vehicles and transport equipment (9.8%). Her major export partners are EU (64.3%), and CIS (22.9%). Lithuania imports mineral products (29.7%), machinery and equipment (12.6%) and transportation equipment (6.4%). Her main import partners are EU (58.5%) and CIS (33.5%)" (Lithuania, 2013).

The textile and clothing sector is one of the most important industries in Lithuania. The sector has successfully thrived since the country gained independence from the former Soviet Union in 1991. As a result, it is now one of the Lithuania's most important industries. In 2005 it contributed for 26% of the employment in the manufacturing sectors, generated 8.3% of the country's GDP and made 9.2% of the nation's export. Moreover, foreign investment in textiles and clothing is increasing. Lithuania's aims at becoming Europe's top supplier of women's woven outerwear including skirts, blouses, coats, jackets and dresses (Textiles Intelligence,2006).

3.4.17. Luxembourg

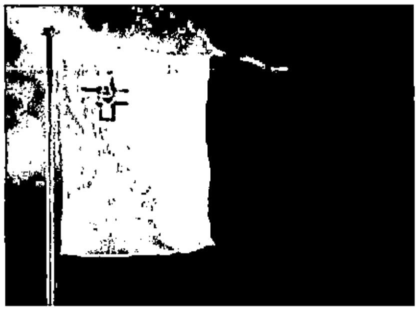
Source: Europa.eu

Luxembourg has an area of 2586 Sq. Km and is bounded in the west by Belgium, in the south by France and in the east by Germany. Luxembourg earlier used the franc as its currency. It was replaced with the Euro at an exchange rate of 40.3399 every Euro (Currency Name, 2012).

She is a small country, actively participating as a member of EU (since1952), UN, Benelux, OECD, the Council of Europe, NATO, and WEU. Her is small economy and there is usually a trade deficit as she has greater dependence on imports then export.

Like other EU member nations Luxembourg also faced recession. Her economy contracted by 3.6% in 2009, but rebounded in 2010-11 before slowing again in 2012 (CIA Worldfact Book, 2013). Luxembourg mainly exports chemicals, glass, machinery and equipment, rubber goods and steel products to its major trade partners namely Germany (19.3% of total export), France (15.5%), Italy (9.5%), United Kingdom (9.5%), Belgium (8.8%), Spain (5.3%) and the Netherlands (4.5%). Leading suppliers of Luxembourgian imports included Belgium (26.3% of total imports), Germany (20.1%), China (16.7.5), France (8.5%), United Kingdom (5.5%) and the Netherlands (4.2%) (Workman, 2008).

3.4.18. Malta



Source: Europa.eu

Malta is a Southern European country consisting of a group of islands situated in the center of the Mediterranean, 93 Km south of Sicily, 288 Km east of Tunisia, with the Strait of Gibraltar 1,826 Km to the west and Alexandria 1,510 Km to the east(Malta, 2012).Malta is one of the world's smallest and most densely populated countries. It is a member of United Nations (since 1964) and a member of the EU (since 2004). The Lira was the currency of Malta from 1972 till 31 Dec 2007. The Euro replaced the Maltese Lira as the official currency of Malta on 1 Jan 2008 at the unalterable fixed exchange rate of 0.429300 MTL per 1 euro (Maltese Lira, was the currency of Malta,2013).The significant resources of Malta are limestone, her favorable geographic location and a productive workforce. Malta produces only about 20% of her food needs, she has limited fresh water supplies and has no domestic energy sources. The economy is dependent on foreign trade, manufacturing (especially electronics and textiles) and tourism (Economy of Malta,2013).

"During the second quarter of 2010, Malta's economy grew at a slower rate while first quarter growth was reported at 3.4%. Consolidation of public finance has improved over recent years. The budget deficit came down from 10.7% of GDP in 1998 to 2.5% of GDP in 2006, a figure that was below 3% required by the Maastricht criteria. The budget deficit was revised for 2010, reached 3.87% of GDP" (Malta, 2012). In 2012 Malta's export was of $ 4.044 billion. Malta exports machinery and transport equipment, miscellaneous manufactured articles, chemicals, semi-manufactured goods, food, mineral fuels, lubricants, and related materials, beverages and tobacco, raw materials to its major export partners Germany 14.6%, France 9.9%, Italy 6.8%, Libya 5.5% and UK 5% (CIA World Factbook, 2013). Malta's import was $ 5.576 billion in 2012, including machinery and transport equipment, miscellaneous manufactured articles, semi-manufactured goods, Food, mineral fuels, lubricants and related materials, chemicals, beverages and tobacco and raw materials. EU, Eurozone area, Asia, North and Central America are the leading suppliers of Malta (Malta Economy Profile, 2013).

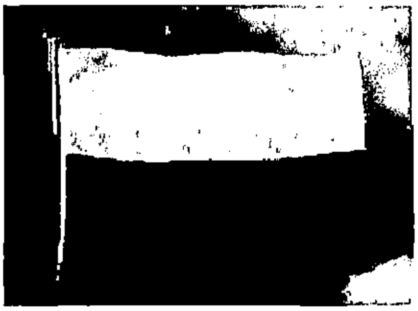
3.4.19. Netherlands

Source: Europa.eu

The Netherlands is bounded in the north and west by the North Sea, in the south by Belgium and east by Germany. Unit currency = gulden (NGL) written as FL (Orin) of 100 Cents. The Netherlands was a founding member of NATO and the EEC (now the EU) and participated in the introduction of the euro in 1999 (CIA World Factbook, 2013).

The Dutch economy occupies the position of sixth-largest economy in the euro-zone. Netherland's export amounted $ 538.5 billion in 2012 whereas import $474.8 billion (CIA World Factbook, 2013). "The Netherlands mainly exports chemicals, fuel, machinery and equipment to its main export partners namely Germany, France, Belgium, UK and Italy. The Netherlands import fuels, chemicals, transport equipments, food stuffs and clothing from its main suppliers imports i.e. Germany, Belgium, China, US, UK, Russia and France"(Economy Watch, 2010).

3.4.20. Poland



Source: Europa.eu

She is bounded in the west by Germany, in the south by Czech Republic and Slovakia, in the east by Ukraine, Belarus and Lithuania and in the north by Baltic Sea and Kaliningrad blast (Poland, n.d.).

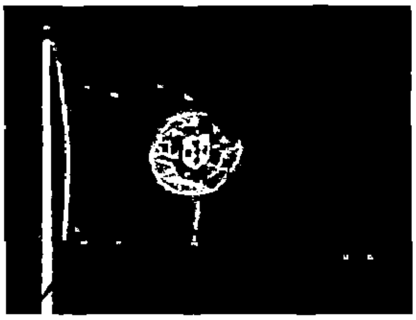
The Zloty is the official currency of Poland and 1 Polish Zloty = 0.354359 US dollars or equal to 100 groszy (World Travel Guide, 2012).

"Poland gave new directions to its trade after the collapse of Soviet-bloc COMECON in 1991. By the end of 1991, Poland had entered into an association agreement with EU and by 2000; its 70% of export and 60% of import were with EU members. Neighbour Germany is Poland's main trading partner. Before joining EU, in May 2004, Poland directed her trade through the membership of CEFTA (Central European Free Trade Agreement) and Hungary, Slovakia, Czech Republic and Slovenia were also included in CEFTA"(Economy Watch, 2010).

"Poland export comprises of garments, furniture, motor vehicles, iron and steel and ships. Export commodities made from natural resources are wood, coal, lignite, and copper. Poland's imports are distributed among goods, food, fuels, industrial supplies and machinery and transportation. The leading export partners of Poland are Germany, Italy, France, Turkey, Hungary and Bulgaria while Germany Italy, Hungary, Russia, France, Turkey, Austria, Kazakhstan and China are her import partners"(Poland –Foreign Trade, 2012). The textile industry of Poland supplies linen, decorative fabrics and fabrics for clothing industry. It also supplies products that are used in the manufacture of packaging, tyres, conveyors and protective clothing. 2000 was the year of decline in Polish textile industry. Most of enterprises went into losses and the rate of profitability was minus 1.4% (The Textile

Industry, 2012). Few years back Polish textile industry ranked 4th and 5th among the European textile industries. She used to export its products to about 86 countries. EU is the main export destination of Polish textile industry.EU receives nearly 60% of its export for Poland.

3.4.21. Portugal



Source: Europa.eu

Portugal is located in the southwestern Europe on the Iberian Peninsula and it is bounded in the west and south by Atlantic Ocean, in the north and east by Spain (Portugal, 2012). She is a founding member of NATO, she is an associate of United Nations, Latin Union, Organization of Ibero- American States, OECD, Community of Portuguese Language Countries, the EU's Eurozone, and the part Schegen Area (CIA World Factbook, 2013). The Euro is the currency of Portugal. It was introduce in 2002 by replacing Escudo (the official Portugal currency before Euro) and 1 Euro = 100 eurocent (Currency of Portugal, 2012).

After becoming a member of European Community (EC, now EU) in 1986, Portugal diversified and enhanced its service based economy. The rate of economic growth had been above the EU average for much of the 1990s, but fell back in 2001-08, and shrinked to 2.6% in 2009, before growing by 1 % in 2010 (CIA World Factbook, 2011).

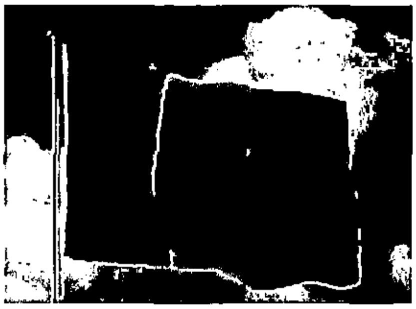
Portugal has been increasingly over shadowed by lower- cost producers in Central Europe and Asia as a hub for foreign direct investment (Dimireva, 2009). The budget deficit moved upward to an all-time high of 6% of GDP in 2005, but the government took strict measures and brought down the budget deficit from 10.1% of GDP in 2009 to 4.5% in 2011 (CIA World Factbook, 2013).

In 2012 the export of Portugal was about $ 58.24 billion whereas the import was of worth $ 69.48 billion. Portugal mainly export agricultural products, oil products, food products, chemical products, skins and leather, wood and cork, plastic and rubber, wood pulp and paper, textile materials, clothing, footwear, base metals, mineral and mineral products, vehicles, and other transport material, machinery and tools, optical and precision instruments. Its main export partners are Spain (22.7%), Germany (12.4%), France (11.9%), Angola (6.5%), UK (5.3%), and Netherlands (4.2%) (CIA World Fact Book, 2013). Portugal imports agricultural products, oil products, chemical products, plastic and rubber, skins and leather, wood and cork, wood pulp and paper, textile materials, clothing and footwear, minerals and mineral products, base metals, machinery and tools, vehicles and other transport material and optical and precision instruments, computer accessories and parts, semi-conductors and related devices, household goods, passenger cars new and used and wine products. Portugal mainly imports from Spain (31.58%), Germany (12.41%), France (8.58%), Italy (5.55%), Netherlands (5.31%) (CIA World Fact Book, 2013).

Portugal's textile and clothing sector stands as the largest industrial sector. In 2001 the industry recorded for 19.4% of total exports and became the source of employment for about 225,869 people, providing some 24.8%of total manufacturing employment in the country (Namrata, 2007).

Portugal textile industry faced tough time in the current world economic slowdown. To overcome this, Portuguese government announced various support packages of $ 1.2 billion in financing for the dented industry by way of providing bank credit with the state guaranteeing 50 percent of the risk, offering earlier access to EU funds and providing government support for obtaining export credit insurance (Specialty Fabrics Review, 2009).

3.4.22 Romania



Source: Europa.eu

Romania is located at the crossroads of central and southeastern Europe, bordering on the Black Sea and bounded by Hungary and Serbia in the west, in the northeast by Ukraine and the Moldova and in the south by Bulgaria (Romania, n.d.). Romania joined NATO in 2004 and EU in 2007 (CIA- The World Fact Book, 2013). It is also a member of Latin Union, Francophone, OSCE, United Nations and the associate member of the CPLP (Romania, n.d.). The Leu is the currency of Romania. On 1 July 2005, Romania switched from the previous Leu (ROL) to a new Leu (RON). 1 RON is equal to 10,000 ROL and leu is subdivided into 100 bani. Romania joined EU in 2007 and it is expected to adopt the euro in 2014 (Romania, n.d.). Romania is rich in agricultural diverse energy sources, wealthy in industrial base including a wide range of manufacturing activities, an educated work force and opportunities for diversified development in tourism on the Black Sea and in the Carpathian Mountains. (Travel Document System, 2012).

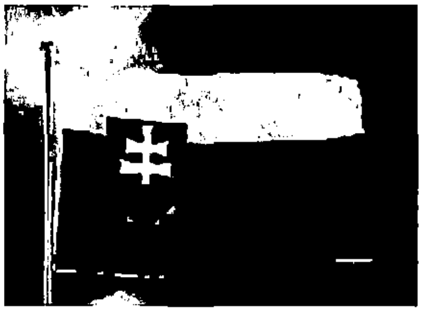
The country emerged in 2000 from the deep shock of global recession and this happened because of the increased demand in EU export markets. Romania's GDP contracted heavily in the last quarter of 2008 because of global downturn in trade and financial markets and the fall in GDP was more than 7 % in 2009. Despite of hardship measures, Romania's GDP further contracted by 1.9% in 2010 (CIA world fact book, 2013).

In 2009, when the GDP was negative, the export of Romania grew by 22.54% (Economy Watch, 2010). She mainly exports machinery and equipment, textiles and footwear, metals and metal products, minerals and fuel, chemicals, agricultural products. Her main export partners are Germany (17.3%), Italy (11.78%), Hungary (8.36%), France (6.14%), China (4.91%), and Austria (4.75%) (CIA World Fact Book).

Romania's import was about $ 59.84 billion in 2010 and ranked 43 in terms of import and 51 in terms of export. The main commodities that Romania imports comprise machinery and equipment, minerals and fuels, chemicals, textile and products, metals and agricultural products from its main suppliers i.e. Germany (17.3%), Italy (11.78%), Hungary (8.36%), France (6.14%), China (4.91%), and Austria (4.75%) (CIA World Fact Book).

The clothing sector of Romania plays an important role in her manufacturing sectors and contributes for the major share of country's exports. The sector represents 6 % of the industrial production and adds 26% to the Romania's exports. A major part of exports are directed to the EU nations, mainly Germany, Italy, France and the UK. Romania is known as 'the tailor of Europe' as it is the number one exporter of clothing for EU market (Romania Textile Market,2013).

3.4.23. Slovakia



Source: Europa.eu

Slovakia is a landlocked country bounded by the Czech Republic and Austria to the west, Poland to the north, Ukraine to the east and Hungary to the south (Wikipedia).Slovakia is a member of EU, NATO, United Nations, OECD and WTO. The currency of Slovakia is the Euro. It adopted the Euro on 1 Jan. 2009 (CIA World Factbook, 2013).

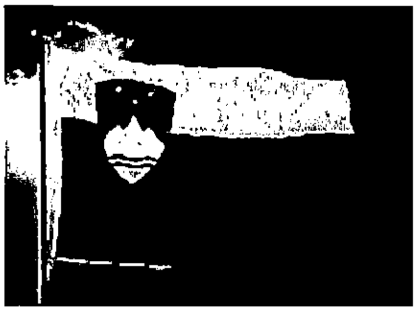
"After separation from Czech Republic, Slovakia made significant changes in her economic structure. Changes in taxation, healthcare, pension and social welfare systems enabled Slovakia to consolidate her budget, join the EU in 2004 and adopt the Euro in Jan 2009.The GDP of Slovakia fell down by 5% in 2009 but again increase by 4% in 2010"(CIA-The World Fact Book).

Slovakia export Cars (15%), Monitors and projectors, reception apparatus for television (12%), Parts and accessories of the motor vehicles (4%), Petroleum oils, refined (4%), Vehicle Bodies (2%) (Slovak Republic, 2013).Her export was worth of $80.67 billion in 2012 and her main export partners are Germany20.1 %, Czech Republic 12.9%, France 7.8%, Poland 7.2%, Hungary 6.3%, Italy 6.1%, Austria 5.8% and UK 4.8%. The import of Slovakia was $ 75.99 billion in 2012 (CIA World Factbook,). She mainly imports Parts and accessories of the motor vehicles (8%), Parts of radios, telephones and TVs (7%), Petroleum oils, crude (5%), Petroleum gases (4%), Cars (3%)(Slovak Republic, 2013).Slovakia mainly imports from Germany 16.8%, Czech Republic 12.3%, Russia 9%, South Korea 6.8%, China 5.8%, Hungary 5.3%, and Poland 4% (CIA- The World Fact book).

Textile industry of Slovakia occupies an important place in her economic structure. However, reforms in economic structure of Slovakia after separation from Czech Republic placed the textile industry under strong pressure and adversely affected the production and employment in the industry (The Slovak Textile and Clothing Industry).

Slovakia textile and apparel fell by 15.4% in 2009 and 4.1% in 2010, depicting severe economic condition. A moderate recovery is noticed in 2011, with growth of 2.7% (Slovakia Textile and Clothing Report, 2009).

3.4.24. Slovenia



Source: Europa.eu

Slovenia is a country in Central Europe and bounded in the west by Italy, in the south and east by Croatia, in the northeast by Hungary and in the North by Austria (Slovenia, n.d.). Slovenia is a member of EU (2004), the Eurozone (2007), the Schengen area, NATO (2004), and OECD. The 'Tolar' was the currency of Slovenia from 1991 till the introduction of the euro on 1 January 2007. It was subdivided into 100 Cents (Arjen, 2011). Slovenia was the first 2004 European Union entrant who adopted the euro on 1 Jan 2007 and became a model of economic success and stability for the region. Slovenia has the highest GDP in Central Europe, excellent infrastructure, a well educated work force and dynamic and effective political and economic institutions.

Slovenia's economy mostly depends on foreign trade. A large part of her trade is with the EU, particularly with Germany, Italy, Austria and France. In Feb 2011

Slovenia exported goods worth EUR 1,589 million and imported goods worth EUR 1, 718.2 million, which confirms that export represented 92.1% of imports. According to provisional data for the period from January to July 2013 compared to the same period of 2012 Slovenian exports increased by 2.3% while imports decreased by 0.1%; the export/import ratio was 97.6% (Republic of Slovenia, 2013). Slovenia mainly exports manufactured goods, machinery and transport equipments, chemicals and foods. Her main export partners are Germany 19.36%, Italy 11.31%, Croatia 7.75%, Austria 7.42%, France 7.35% (CIA- The world Fact Book). Slovenia imports machinery and transport equipment, manufactured goods, chemicals, fuels and lubricants, food. She imports from Germany 16.46%, Italy 15.89%, Austria 11.81%, France 4.98%, and Croatia 4.32% (CIA- The world Fact Book).

3.4.25. Spain

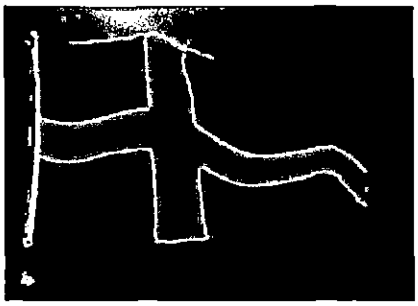
Source: Europa.eu

Although Spain has traditionally been a monarchy there had been two Republics the first in 1873 which lasted for 11 months and the second in 1931-34, both were democratically and peacefully proclaimed.

She is bounded in the north by the Bay of Biscay France and Andorra, in the east and south by the Mediterranean and the Straits of Gibraltar, in the south west by the Atlantic and in the west by Portugal and the Atlantic. Spain is a member of UN, Council of Europe, NATO, WEU, EU and ESD. Currency – Peseta subdivided into 100 Centiments.

Spain's top export and import partners are from the EU region. It mainly exports motor vehicles, food stuffs, medicines, machinery and pharmaceuticals. During 2009 Spain's export was worth $ 215.7 billion. This showed a decline of $ 70.2 billion from the export earnings of 2008. The content decline of Spain export is due to the strength of the Euro, since it was adopted by Spain for international trade, which has encouraged Spanish exporters to increase their margins in markets beyond the Euro area (Economy Watch, 2012). "Spain's imports were worth $ 293.2 billion in 2009, this represented a decline from the 2008 level of $ 415.5 billion. Lack of resources in the nation, particularly oil is mainly responsible for such a wide gap between Spain's exports and imports. Spain's main export partners are France 18.3%, Germany 10.6%, Portugal 8.7% and Italy 8% while Germany 14.5%, France 11.1%, Italy 7.4% and China 6.2% are its main import partners."(CIA- The World Fact Book).

3.4.26. Sweden



Source: Europa.eu

Organized as an independent unified state in the 10th century Sweden became a constitutional monarchy in 1809. Sweden was united to Norway till 1905.

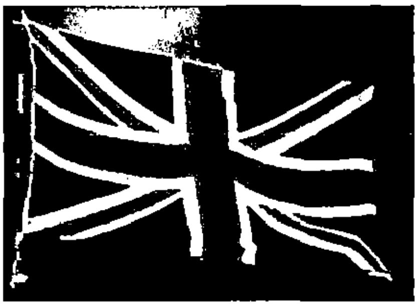
The territory is bounded in the west and North West by Norway, in the east by Finland and the Gulf of Bothnia, in the southeast by the Baltic Sea and in the south west by Kattegat. The Krona (SEK) has been the currency of Sweden since 1873. Sweden joined the EU in 1995, but the public rejected the introduction of the euro in a 2003 referendum (CIA- The World Fact Book).

Until 2008, Sweden enjoyed a strong economy because of increased exports and domestic demand. However like other economies, Swedish economy slid into recession in 3Q 2009 and growth continued downward till 1H 2009.

In January 2010, Swedish export was worth SEK 78.4 billion, while import was SEK 70.9 billion. Export increased by 1 %, while import more or less remained same as compared to that of Jan 2009 (Economy Watch, 2010). Sweden mainly exports machinery (35%), motor vehicles, paper products, pulp and wood, iron and steel products. Her main export partners are Norway 10.61%, Germany 10.2%, UK

7.45%, Denmark 7.35%, Finland 6.44%, US 6.36%, France 5.05%, Netherlands (4.67%). The commodities that Sweden imports are machinery, petroleum and petroleum products, chemicals, motor vehicles, iron and steel, foodstuffs and clothing. Sweden mainly imports from Germany 17.9%, Denmark 8.9%, Norway 8.7%, Netherlands 6.17%, UK 5.56%, Finland 5.14%, France 5.06%, China 4.79% (CIA- The World Fact book).

3.4.27. United Kingdom or Great Britain or Northern Ireland



Source: Europa.eu

Great Britain is a geographical name of that Island of British Isles which comprises England, Scotland and Wales, Scotland was united with England by an act of union in 1801. Great Britain and Ireland formed a legislative union as the UK of Great Britain and Ireland in 1921. Northern Ireland remained within the union which is now the UK of Great Britain and Northern Ireland according to Census 1991.

The UK economy is one of the largest in EU and is increasingly service based. In 2008 UK economy felt deep shock of global recession, due to the importance of HER financial sector. Sharply declining home prices, high consumer debt and global economic slowdown pushed the UK's economy into recession in the latter half of 2008 initiating government to implant precautionary measures to stabilize the economy and money markets by way of cutting taxes, nationalizing parts of banking system, suspending public sector borrowing rules and moving forward public spending on capital projects (CIA- The world fact book)

3.5The Economic Environment of European Union (EU)

The pace of economic growth in the European Union (EU) has been, on an average, modest, since 1995. After an acceleration of growth in 1994 and the first half of 1995, the economy of the EU suffered a general slowdown. Throughout the period, business and consumer confidence in most member states remained low in the content of low income growth on account of elements such as sluggish domestic demand and high unemployment, subdued decision regarding spending and investment, despite low interest rates. From 1996 onwards there are trends in the economic growth of all nations. On a yearly average, real GDP decelerated from 2.8% in 2007 to 2.0% in 2008 and reached to 1.8% in 2009 (CIA- The World Fact Book). The EU has recovered from the global financial crisis faster than expected, with business investment growing by an estimated 2 % in 2010.

Table 3.2 Overall performance of the EU economy (in Percentage)

	2005	2006	2007	2008	2009	2010	2011
GDP	2	3.2	3	0.5	-4.2	1.8	1.8
Private consumption	2.1	2.3	2.1	0.7	-1.7	0.8	0.9
Public consumption	1.7	2.1	1.9	2.3	2.2	0.7	0.3
Gross fixed capital formation	3.4	6.2	5.8	-0.8	-12	-0.7	2.5
export of Goods & Services	5.8	9.4	5.5	1.5	-12.4	1.6	7.3
Import of Goods & Services	6.2	9.4	5.7	1.1	-12.3	9.5	5.6
Domestic Demand	2	3.2	3	0.4	-4.1	1.3	1.1
Private consumption deflator	1.8	2.5	2.2	0.3	3	2.5	2.3
Real unit labour costs	-0.6	-1.1	-0.7	1.1	2.8	-1.4	-0.6
Short term Interest rate	2.9	3.5	4.6	5.1	1.8	1.2	-
Unemployment rate	9	8.2	7.2	7.1	9	9.6	9.5
Percentage of GDP at current prices							
Gross private sector savings	19.4	18.9	19	19.2	20.5	20.8	20.3
Gross public sector savings	0.6	1.7	2.3	1.2	-2.9	-2.7	-1.7
current account balance	-0.2	-0.4	-0.5	-1	-0.6	-0.5	-0.5

Source: Euratex

Export has been the main contributing factor to economic growth, in the period, benefiting from an improved international environments and moderate unit labour costs. Manufacturing export has been increasingly oriented towards Asian Markets. Nevertheless, concern remains about the relatively high concentration of EU trade in medium technology products and low growth geographic areas. Trade in services, one of the EU's strong holds, is likely to benefit from ongoing liberalization in this sector.

Table 3.2 represents the overall performance of EU 27 on the basis of economic indicators. This table shows that EU27 GDP is on the increase though it was negative in 2009 EU entry into technical recession. Private consumption increased from 0.8% in 2010 to 0.9% in 2011 and at the same time Public Consumption shows a dip of 0.3% in 2011 from 0.7% in 2010. Gross Fixed Capital formation shows an increase of 2.5% in 2011. According to the table EU's exports show an attractive increment of 7.3% in 2011 from 1.6% in 2010 and import shows a decline of 5.6% in 2011 from 9.5% in 2010. EU's Domestic Demand fell to 1.1% in 2011 from 1.3% in 2010. As far as the unemployment in EU is concerned, the following table shows a continuous improvement, it was 9.6% in 2010 and declined by 9.5% in 2011.

3.6 Conclusion:

EU-the block of 27 countries has occupied a dominant place in terms of global trade. It has deeply rooted into the global markets. Thanks to the globalization, which made traders and manufacturers easy to produce, sell and purchase goods throughout the globe which opens the door for European Companies to trade with the world. Because of recession, EU experienced contraction in real GDP, increasing rate of unemployment and adverse financing conditions. However, in recent years it has been noted that EU has started coming out of this traumatic condition. A number of EU members that were very weak in terms of GDP growth have started improving and establishing their trade relations with the outside world. This evaluation may be related to the liberalization of trade barriers. Germany and France proved to be the top performers among the 27 members with GDP Euro 2,705,181.1 million and Euro 2,092,928.4 respectively in 2013. But Spain and Italy are still facing down turn. Despite the recovery, Unemployment remained the EU's most crucial problem. To remove this problem, enterprises in EU are adopting measure to improve their productivity and become more competitive and innovative. Thus, despite the socio-heterogeneity, the market size and its affluence, wealth and consumption patterns make all the member countries of EU very attractive. However, on the basis of forgoing discussion, it particularly need to be mentioned that in order to get the optimum gains of trade, India will have to ensure quality while still being competitive.

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Chapter-4

Chapter 4

INDIA–EU TEXTILES TRADE

In this chapter India's trade relations with EU27 are analysed with special reference to textiles trade.

The previous chapter dealt with European Union 27 (EU27). It covered formation, organizational structure and economies of all 27 member nations. The present chapter throws light on India's trade relations with all 27 members of EU with special focus on textiles trade. Structure of textile industry of India and EU has also been discussed in this chapter.

4.1 Introduction

The history of textile is as old as human civilization. With the passage of time history of textiles has polished itself. In the 6^{th} and 7^{th} century BC, the oldest indication of using fiber came with the invention of flax and wool fabric at the excavation of Swiss Lake inhabitants (History of Textiles, n.d.). According to the Columbia Encyclopedia, Sixth Edition:

> Cotton has been spun, woven, and dyed since prehistoric times. It clothed the people of ancient India, Egypt, and China. Hundreds of years before the Christian era cotton textiles were woven in India with matchless skill, and their use spread to the Mediterranean countries. In the 1^{st} cent. Arab traders brought fine Muslin and Calico to Italy and Spain. The Moors introduced the cultivation of cotton into Spain in the 9^{th} cent. Fustians and dimities were woven there and in the 14^{th} cent. in Venice and Milan, at first with a linen wrap. little cotton cloth was imported to England before 15^{th} cent., although small amounts were obtained chiefly for candlewicks. By the 17^{th} cent. the East India Company was bringing rare fabrics from India. Native Americans skillfully spun and wove cotton into fine garments and dyed tapestries. Cotton fabrics found in Peruvian tombs are said to belong to a pre-Inca culture. In color and texture the ancient Peruvian and Mexican textiles resemble those found in Egyptian tombs (History of Textile, n.d.).

The history of textiles in India dates back to the use of mordant dyes and printing block around 3000 BC (Chandra, 2005). Indian textile is a vital part of her cultural heritage and it dates back to the Indus valley Civilization where people used to manufacture cloth at their homes.. Rig-Veda gives the literary information about textiles in India and it refers to weaving (History of Textiles, n.d.). Ramayana and Mahabharata the two great ancient epics of Hinduism depict the use of fine and stylized garment by the aristocrats and simple clothes by the commoners. In pre-industrial period, spices and textiles were the main commodities and their trade was made on barter. India was known for her quality textiles and always remained in trade with Far and South East Asia.

"The oldest example of Indian trade in textiles has been found at sites near the Red Sea Small fragments from 15th century were discovered at the Greek trading post of Berenike in Southern Egypt. Other discoveries at Quesir Al Qadim and Fustat, both in Egypt, have been dated back to 9th and 10th centuries respectively". (Sharma, 2012).

The Dutch East India Company chartered in 1597 and British East India Company in 1600 exchanged Indian textiles for spices grown in Malay Islands. (Sardar, 2003)

Because of exclusive design, color and texture Indian textiles became highly popular and exported directly to European countries. In a short span of time Indian textiles became a symbol of fashion in International market.

The universality of Indian textiles is evidenced in the number of words that have made their way into English: Calico, pajama, gingham, dungaree, chintz, and khaki (Sardar, 2003).

With a view to analyse the impact of MFA phase-out on Indian and EU textiles trade it is important to discuss the trade relations of India with all 27 member nations of European Union.

4.2 India-EU27 Relations

The trade relations (textiles trade in particular) of India with all 27 members of European Union are briefly discussed below:

4.2.1 India-Austria Trade Relations

India and Austria enjoy a cordial relationship, the foundation of which was laid by the first Prime Minister of India Jawaharlal Nehru and the Austrian Chancellor, Leopold Fig in May 1949 (FICCI, 2013,p.1)

Austria, a member of the European Union since 1995, acts as a bridge of relationship between India and Countries of central and Eastern Europe. There has been a large number of collaborations, technology transfer and joint venture in the fields of steel, manufacturing technology, railway and transport, equipment, metallurgy and so on (FICCI, 2013, P.2). India's Exports to Austria consists of

Manufactured Goods, Machinery and Transport Equipment, **Textiles and Yarns** as well as chemicals. At the same time India imports different types of machinery, Iron and Steel, Chemicals, Machinery and Equipment (FICCI, 2013, P.3).

Table 4.2. 1

Indo-Austrian Bilateral Trade

Year	India's exports to Austria (in mil. USD)	India's import from Austria (in mil. USD)	Total Trade (in mil. USD)
2006	310.5	372.4	682.9
2007	337.9	527.9	865.8
2008	415.1	608.9	1024
2009	439.4	560.4	999.8
2010	483.1	654.9	1138
2011	558.7	817.7	1376.4
2012	552.93	626.11	1179.04

Source: India-Austria Relations, 2014.

Inspite of the crisis year, India's export to Austria remained stable and added an increment of 10% in 2010 with total export of worth 483.1 million Euros. If we look at India's import from Austria, year 2010 registered an increase of 16.9% after a dip of -8% in year 2009. In 2012 India's export to Austria faced a slight dip of -0.91% whereas Austria's export to India faced a much decline by 23.4%. **India's textiles exports to Austria have increased in the last few years. In 2010-11 India's textiles export to Austria was USD 31.41 million and it reached to USD 41.87 million in 2011-12, registering a growth of 33.30%.**

The first three quarters of 2013 (January to September) registered a positive trade growth with Indian exports amounting to 445 million Euros and imports worth of 476 million Euros. **(India-Austria Relations, 2014)**

4.2.2 India-Belgium Trade Relations

India and Belgium established diplomatic relations in 1948 (India-Belgium Relations, 2012). Both these countries enjoy cordial and friendly relations.

Number of bilateral treaties and agreements such as Social Security Agreement, signed in November 2006; (came into force in September 2009); Agreement on cooperation in the field of Science & Technology, signed in November 2006; Agreement on Avoidance of Double Taxation (DTAA), signed in August 1997; Bilateral Investment Protection Agreement (BIPA), signed between India and Belgium-Luxembourg Economic Union (BLEU), signed in November 1997; Cultural Agreement of September 1973; and Air Services Agreement of April 1967 have been signed between these two countries. (India-Belgium Relations, 2012).

Table 4.2.2

Indo-Belgium Bilateral Trade

Year	India's Exports to Belgium (in million USD)	India's Imports from Belgium (in million USD)	Total Trade (in million USD)
2008-09	4480.32	5776.77	10257.09
2009-10	3759.26	6019.20	9778.46
2010-11	5784.38	8609.82	14394.20
2011-12	7160.76	10401.43	17562.19
2012-13	5507.30	10046.87	15554.17

Source: Export Import Data Bank, Department of Commerce, GOI.

Among EU member nations, Belgium is the second largest trading partner of India. India-Belgiüm trade was USD15554.17 million in 2012 as compared to USD 17562.19 million in 2011, representing a decline of -11.43%. India was the 6thlargest exporter to Belgium and 2nd largest importer of Belgian products in 2012. The major items of Indian exports to Belgium includes gems and jewellery; minerals, base metals and articles, chemicals and chemical products, **textiles**; machinery, mechanical products and electrical equipments. The major items of Indian imports from Belgium consist of Gems & Jewellery, Machinery and Mechanical Products, Base metals &

articles, Chemical & Chemical etc. (Embassy of India, 2013). **India's textiles trade with Belgium has increased over the years. In 2010-11 India's textiles export to Belgium was USD 531.60 million and it reached to USD 580.33 million in 2011-12, noting a growth of 9.17% over the year 2010-11.**

The high level of income and growing domestic demand pattern open vistas of opportunities for Indian exporters. However, the most vital thing to be kept in mind while exporting to Belgium is that the community is quality conscious and thus to penetrate Belgium market quality of product will be of prime importance.

4.2.3 India-Bulgaria Trade Relations

Being two very old civilizations and cultural heritages, India and Bulgaria have developed close and cordial relations over the years despite geographical distance. Both the countries have signed bilateral agreements in the fields of education, science and culture (signed in March 2009), and in the field of science & technology (signed on May 14, 2009) (Embassy of India, 2013).

Table 4.2.3

India-Bulgaria Bilateral Trade

Year	India's Exports to Bulgaria (in million USD)	India's Import from Bulgaria (in million USD)	Total Bilateral Trade (in million USD)
2001	9.0	11.0	20.0
2002	8.8	7.0	15.8
2003	12.0	8.7	20.7
2004	20.1	21.9	42.0
2005	21.8	17.5	39.3
2006	27.9	32.6	60.5
2007	84.1	76.2	160.3
2008	85.5	78.2	163.7
2009	69.6	25.4	95.0
2010	64.3	57.6	121.9
2011	85.3	88.4	173.7
2012	96.4	43.8	140.2

Source: National Statistical Institute (NSI), 2013.

For the sake of greater trade and economic cooperation between both the countries, bilateral institutional agreements like Joint Commission on Economic, Scientific and Technical Cooperation at Governmental level, Joint Business Council at non-governmental level and Working Groups on four different sectors have been set up and are meeting regularly (Embassy of India, 2013).

The total bilateral trade between the two nations was worth USD 140.2 million in 2012. India's export to Bulgaria was USD 96.4 million in 2012, adding an increment of 13.01% as compared to that of 2011.India's import from Bulgaria was USD 43.8 million in 2012 as compared to import of worth USD 88.4 million in 2011. This shows a sharp decline of -50.45% in 2012. India's Export to Bulgaria consists of iron and steel, plastic and articles, **cotton**, sugar and sugar confectionery, wool, fine or coarse animal hair, horsehair yarn woven fabric, pharmaceutical products, coffee, tea, mate and spices, electrical machinery and equipment, electrical materials, paper & paperboard, articles of paper pulp, processed tobacco, feeding stuff for animals and **textile yarn;** whereas India import articles of iron and steel, glass and glassware; electrical machinery and equipment, electrical materials, fertilizers, aluminum and articles, nuclear reactors, boilers, machinery, optical, photographic or cinematographic measuring apparatus, residues and waste from food industries and copper and copper articles from Bulgaria (Embassy of India, 2013). **Textiles trade between India and Bulgaria has improved in recent years. In 2010-11 India's textiles export to Bulgaria was USD 9.03 million and it reached to USD 11.26 million in 2011-12, recording a growth of 24.70%.**

4.2.4 India-Cyprus Trade Relations

India-Cyprus relations have been traditionally very close and friendly. Cyprus has proved as one of the India's most dependable friends. To add flavor to this friendship number of high level visits have been made from both sides. Economic and commercial relations with Cyprus have increased in the recent years.

Table 4.2.4

India-Cyprus Bilateral Trade

Year	India's Export to Cyprus (in mil. USD)	India's Import from Cyprus (in mil. USD)	Total two Way Trade (in mil. USD)	Balance Of Trade (in mil. USD)
2005-06	032.41	025.53	057.94	+06.88
2006-07	033.39	112.88	146.27	-79.49
2007-08	047.91	142.99	190.90	-95.08
2008-09	250.01	158.25	408.26	+91.76
2009-10	046.82	014.10	060.92	+32.72
2010-11	042.37	020.40	062.77	+21.97
2011-12	056.62	028.10	084.722	+28.52
2012-13	054.99	020.29	075.28	+34.70

Source: High Commission of India, 2013.

However the two-way trade is not very good inspite of many fold increase from US $ 57.94 million in 2005-06 to US $ 75.28 millionin2012-13.

Major Indian export to Cyprus consists of Machinery & Mechanical Appliances, Copper & Articles thereof, Aluminum & Articles thereof, Pulp of Wood/Other Fibrous Cellulosic Mat., Electrical Machinery, Ammunition, optical plastic, among others. India's import to Cyprus mainly includes Organic Chemicals, Iron & Steel, Mineral, Fuels, Oils & Product of their Distillation, Crustaceans, Molluscs, Sesame Seeds, Edible Fruit & Nuts, Boilers, Electrical Equipment, Machinery & Mechanical Appliances, Furniture and Articles of Leather (India-Cyprus Relations, 2012).

A number of bilateral agreements have been signed namely, Agreement on Economic, Trade, Scientific, Technical and Industrial Cooperation - April 1989, Air Services Agreement- December 2000, Memorandum of Understanding (MOU) on Science and Technology- October 2002, MOU on Information Technology and Services - October 2002, Double Taxation Avoidance Agreement June 1994 (under review), Agreement for Cooperation in the field of Tourism - November 1996, Agreement for the Mutual Promotion and the Protection of Investments – April 2002, Agreement on Cooperation in the field of Posts and Telecommunications - October 2002, Agreement in the fields of Public Health and Medical Sciences - October 2002, besides, an additional MOU on cooperation in Tourism between the two countries, a new executive programme on cultural, Educational and Scientific cooperation for the period 2011-14 is under consideration, and Agreement on Combating Terrorism and Illegal Trafficking of Drugs and Organised Crime signed on 25/05/07 during External Affairs Minister's visit to Cyprus (**India-Cyprus Relations 2012). Indo-Cyprus textiles trade has increased. In 2010-11, India's textiles export to Cyprus was USD 3.47 million and it reached to USD 4.38 million in 2011-12, witnessing a growth of 26.22 %.**

4.2.5 India- Czech Republic Trade Relations

Pandit Jawaharlal Nehru, first Prime Minister of India, laid the foundation of relationship between India and Czech Republic. Trade relations between India and Czech Republic have remained stable and dates back to the beginning of 20th century. Both countries have pursued an active role in boosting bilateral trade relations. As a result, the bilateral trade between India and Czech Republic crossed $ 1billion in 2008 (Parks, 2013).

Table 4.2.5

India- Czech Republic Bilateral Trade

Year	Czech Imports from India (in mil. USD)	Czech Exports to India (in mil. USD)	Turnover (in mil. USD)
2001	85.550	67.729	153.279
2002	100.351	158.108	258.458
2003	120.420	119.973	240.393
2004	181.051	201.649	382.700
2005	241.124	262.006	503.130
2006	266.374	398.910	665.284
2007	403.804	555.295	954.272
2008	510.628	634.839	1145.467
2009	456.371	604.232	1060.604
2010	575.077	788.541	1363.591
2011	655.110	855.151	1510.262
2012	594.579	656.305	1250.884

Source: Embassy of Czech Republic in Delhi, 2014.

In 2012 bilateral trade amounted to USD 1250.884 million, a decrease of 17.5% over the 2011 figure. Inspite of the low trade as compare to trade in 2011, the growth of exports of Czech Republic to India is satisfactory. Indian export to Czech Republic comprises of organic chemicals, steel and iron pipes, electrical equipments, vegetable oils and **textiles,** whereas Czech Republic exports glassware and ceramic products, mechanical appliances, furniture and machine tools to India (Parks,2013).**Czech Republic registered as the top third textiles export destination of India among the 27 members of EU, with growth of 70.51% in 2011-12. In 2011-12, India's textiles export to Czech Republic got almost double to USD 45.56 million from USD 26.72 million in 2010-11.**

Thanks to liberalization both the countries have opened their arms to accept each other as trade partners. India has proved as one of the most attractive business hub for the companies of Czech Republic. India has become the second largest Asian trade partners of the Czech Republic (Embassy of Czech Republic in Delhi, 2014)

4.2.6 India- Denmark Trade Relations

The relationship between India and Denmark was laid by Pandit Jawaharlal Nehru in 1957. The bilateral relations between these two countries are cordial and friendly. Number of bilateral agreements signed between these two countries include : Technical Cooperation Agreement – 1970, Agreement on an Integrated Fisheries Project at Tadri, Karnataka - 1981 , Investment Promotion and Protection Agreement (BIPA) - 1995 , Protocol on Avoidance of Double Taxation (DTAA) - 1995 , MOU for cooperation between CII and Confederation of Danish Industries – 1995 , Protocol on Foreign Office Consultation - 1995 , Joint Business Council Agreement between FICCI and the Danish Industry (DI) - 2002 , MOU on Biotechnology for Bilateral Cooperation – 2004 , Agreement for establishment of a Bilateral Joint Commission for Cooperation – Feb 2008 , MOU for Cooperation in New and Renewable Energy – Feb 2008 , Arrangement on Gainful Employment for Family Members of the Diplomatic Mission or Consular Posts – Feb 2008 , MOU on Clean Development Mechanism – Oct 2008 , MOU on Cooperation in the area of Environment – September 2009 , MOU on Labour Mobility Partnership – September 2009, and Social Security Agreement – February 2010 (India–Denmark Relations, 2012).

Table 4.2.6

India-Denmark Bilateral Trade

Year	India's export to Denmark (in million USD)	India's import from Denmark (in million USD)	Total Trade (in million USD)
2004-05	305.74	270.22	575.96
2005-06	410.28	515.94	926.22
2006-07	458.06	339.70	797.76
2007-08	496.57	464.54	961.11
2008-09	583.66	477.45	1061.10
2009-10	580.42	592.37	1172.79
2010-11 (Apr-Sept)	472.78	338.51	811.29

Source: India-Denmark Bilateral Trade, 2012.

India's export to Denmark consists of **apparels/ready-made garments (contribution 50% to the total exports), textile fabric and yarns/carpets**, road vehicles and components, miscellaneous metal goods, iron & steel, footwear, etc. (Embassy of India, 2013). India's commodity exports to Denmark had a value of US $ 580.42 million in 2009, i.e. -0.55% lower than that in 2008 (US $ 583.66 million). As far as India's import from Denmark is concerned it improved in 2009-10 by 24.06%. Total trade between the nations also improved in 2009 showing an increment of 10.52%. Danish's export to India mainly includes medicinal/ pharmaceutical goods, power generating machinery, industrial machinery and several others. **India's textiles export to Denmark has increased from USD 316 million in 2010-11 to USD 361.01 million in 2011-12. Textiles trade between both the nations improved by 14.16% in 20111-12 over the year 2010-11.** So, Danish market is a good destination for India.

4.2.7 India- Estonia Trade Relations

India and Estonia have long-standing historical relations. "India's trade with Estonia remains modest.

Table 4.2.7

India-Estonia Bilateral Trade

Year	India's Export to Estonia (in million Euros)	India's Import from Estonia (in million Euros)	Total Trade (in million Euros)
2005	6.7	12.9	-6.2
2006	8.2	11.7	-3.5
2007	15.9	15.0	0.9
2008	16.7	14.5	2.2
2009	11.7	13.6	-1.9
2010	15.6	18.5	-2.9
2011	26.8	34.8	-8.0
2012	31.9	54.5	-22.5

Source: Statistical office of Estonia, 2013.

India's export to Estonia was 26.8 million Euros which shows an increment of 71.79% over the year 2010. It further improved in 2012 by 19.02%. As far as India's import from Estonia is concerned it was 34.8 million Euros in 2011 and increased to 54.5 million Euros in 2012 i.e. increased by 56.06%. "India's export to Estonia is comprised of leather products, cotton, tea and metals whereas imports from Estonia include, iron and steel, copper, paper products and machinery. A number of bilateral agreements have been signed between India and Estonia in the areas of Trade, Science and Technology" (India-Estonia Relations,2012). **Estonia emerged as the second largest textiles export destination of India among the EU members, with growth of 84.49% in 2011-12 over the year 2010-11. In 2010-11 India's textiles export to Estonia was USD 10.77 million and it reached to USD 19.87 million almost double in 2011-12. It shows that Indian textiles exports have a bright future in Estonia's textiles market.**

4.2.8 India- Finland Trade Relations

Both India and Finland have found new areas and sector so as to widen and deepen the trade basket. This was agreed at a bilateral meeting between the Commerce and Industry Minister, Mr. Kamal Nath, and the visiting Finland Minister for Foreign Trade and Development, Dr Paano Vayrynen, in Feb. 2009 (The Hindu

Business line,2009). Numbers of bilateral agreements have been signed between both these countries namely Trade Agreement (1967), Modified Economic Cooperation Agreement (March 2010), Agreement on Avoidance of Double Taxation (1983) – Amended in January 2010, Setting up of the India-Finland Joint Commission (1974) (16 meetings of the Joint Commission have taken place up to October 2009), Cultural Agreement (1983), MOU on Textiles (1993), Air Services Agreement (1995), modified in May 2006, Bilateral agreement on Promotion & Protection of Investments (2002, Agreement for Cooperation in the Fields of Science & Technology (2008) (India-Finland Relations, 2012).

Table 4.2.8

India-Finland Bilateral Trade

Year	India's Export to Finland (in million Euros)	India's Import from Finland (in million Euros)	Total Trade (in million Euros)
2008	219.49	529.24	748.73
2009	230.44	450.24	680.68
2010	349	599	948
2011	670	625	1295
2012 (Jan-Oct)	305	406	711

Source: Finnish National Board of Customs, 2013.

In 2009 Indo-Finnish trade was reduced to Euro 680 million from Euro 748.73 million in 2008 due to global meltdown but in 2011 the trade between the two nations improved and reached to Euro 1295 million.

The major export items from India to Finland include garments, made ups and textiles that account for about a third of the total exports. Other major items include metals, iron and steel, chemicals, petroleum products and leather. While India imports computer software, iron and steel, paper board and electronic goods (FICCI, 2013). **India's textiles trade with Finland has improved over the years. In**

2010-11 India's textiles export to Finland was USD 66.64 million and it increased to USD 90.61 million in 2011-12, indicating a growth of 35.97%.

4.2.9 India- France Trade Relations

The trade relations between India and France are continuously increasing. France is India's 5th largest trading partner in the EU (after the UK, Belgium, Germany and Italy).The India- France bilateral trade is growing though it has still not reached the 12 billion Euros target set by both the Governments during the visit of the French President to India in January 2008 (Embassy of India, 2013).

Table 4.2.9

India-France Bilateral Trade

Year	India's Exports to France (in million USD)	India's Imports to France (in million USD)	Total Trade (in million USD)
2008-09	3020.86	4632.48	7653.34
2009-10	3819.83	4192.17	8012.00
2010-11	5209.57	3704.57	8914.14
2011-12	4558.11	4332.78	8890.89
2012-13	4986.03	4652.36	9638.39

Source: Export Import Data Bank, Department of Commerce, GOI.

India's trade with France increased to USD 8914.14millionin 2010-11 but it declined by -0.26 per cent in 2012-13. France has proved to be the 9th largest investor in India and India stands on 13th position as investor in France. The main sectors that attract France's FDI are electrical equipment, services, telecommunications, transportation, fuels, chemicals, food processing, cement, and glass while **India's export embraces raw materials such as garments, textiles, cotton,** leather, rubber, dyes, and granite (Prabhu, 2013). **India's textiles export to France was USD 835 million in 2010-11, and reached to 982.64 million in 2011-12, increasing by 17.60%. This shows that textiles trade between the countries has increased in recent years.**

India France trade relations further aim at forging ties for the development of the Agribusiness and Food processing sector. A further objective of good India France trade relations could be utilizing France's economic and business leadership for entering into European market through different trade agreements France has entered into with its European business partners (India France Trade Relations, n.d.).

4.2.10 India- Germany Trade Relations

The history of Indo–German relations is marked by decades of friendship and cooperation. The bilateral trade relations between India and Germany have remarkably increased over the years and both the countries' firms have had their share of investment. Post recession period Indian exports to Germany saw an incredible growth in 2010, recording a total increase of 21.5%. "Germany is the 8^{th} largest direct investor in India. The flow of German FDI reached US$ 1484 million (5^{th} largest) in 2011. Germany's total FDI in India was US $ 5.1 billion in the period 2000-2012, constituting about 3% of total FDI in India (FICCI, 2012).

Table 4.2.10

Indo-German Bilateral Trade

Year	India's Export to Germany (in million USD)	India's Import from Germany (in million USD)	Total Trade (in million USD)
2007-08	5121.53	9884.83	15006.36
2008-09	6388.54	12006.02	18394.56
2009-10	5412.89	10318.18	15731.07
2010-11	6751.18	11891.37	18642.55
2011-12	7942.79	16275.56	24218.35
2012-13 (Apr-Sept)	3489.63	24218.35	10623.99

Source: Ministry of Commerce and Industry, GOI.

The bilateral relations between India and Germany have been continuously growing in the recent years. Total trade in 2007-08 was USD 15006.36 million, it almost doubled to USD 10623.99 million in 2011.

India's major export to Germany normally consists of cotton garments, fabrics, and silk fabrics. In 2010-11 India had a total textiles export of worth USD 1655.41 million and it reached to USD 1841.26 million in 2011-12, recording a growth of 11.23%.

Other item that India exports to Germany are leather and leather goods, chemical and pharmaceutical products, carpets and rugs as well as precious stones. India's chemical export recorded strong growth in the past two years; whereas India's major import from Germany mainly includes machinery, chemicals and pharmaceuticals, electro technical goods, vehicles and iron and steel (World Colleges Information, n.d.).

4.2.11India- Greece Trade Relations

Greece and India have traditionally enjoyed close relations, and in recent years, there has been a good improvement in thinking about widening bilateral economic and trade relations. Various bilateral agreements have been signed between India and Greece namely Agreement on Cultural Exchange-1961,Agreement on Avoidance of Double Taxation- 1967,Agreement for Joint Commission for Economic, Scientific and Technical Cooperation- 1983.(5th session held in New Delhi on 12-13 November 2007), Joint Business Council of FICCI and ASSOCHAM and the Athens Chamber of Commerce- 1996, Agreement of Cooperation between Hellenic Foreign Trade Board and India Trade Promotion Organisation- 1996, Agreement on Tourism Cooperation- 1998 , MOU on Defence Cooperation- 1998, MOU for Cooperation in Agriculture- 2001, Agreement on Promotion and Reciprocal Protection of Investments (BIPA)- 2007,Agreement on Cooperation in Science & Technology- 2007, MOU between CII and Federation of Greek Industries- 2007, MOU for Cooperation between Institute of Science, Bangalore and National Technical University of Athens (NTUA)- 2007, Executive Programme on cooperation in areas of mutual interest in Science and Technology November 2010, MoU between BIS and Greek Standardisation Organisation (ELOT) for Cooperation September 2011(Embassy of India, 2012).

Table 4.2.11

Indo-Greece Bilateral Trade

Year	India's Exports to Greece (in million USD)	India's Imports from Greece (in million USD)	Total Trade (in million USD)
2008-09	879.43	69.49	947.92
2009-10	452.80	154.13	606.93
2010-11	364.88	93.39	452.23
2011-12	790.06	116.07	906.13
2012-13 (Apr-Sept)	137.54	53.01	190.55

Source: Export Import Data Bank, Department of Commerce, GOI.

As per the trade data mentioned in the above table the trade potential between the two nations is not satisfactory. India's export to Greece was USD 878.43 million in 2008-09 which declined to USD 137.54 million in 2011-12; whereas India's import from Greece was USD 69.49 million, it improved to USD 116.07 million in 2011.

India's export to Greek include textiles, garments, synthetic fibres, iron, steel and fruit, while Greek export to India is comprised of fibres, fertilizers, organic chemicals, pharmaceutical products, leather goods, metal processing machinery, among others (India-Greece Relations,2012). **In the past few years, textiles trade between India and Greece diminished. In 2010-11 India's textiles export to Greece was USD 51.14 million but in 2011-12 it reduced to USD 46.09 million, witnessing a downfall of -9.87%.**

4.2.12 India- Hungary Trade Relations

India's relation with Hungary has been close and friendly. Since 1990, India and Hungary have signed several Agreements for bilateral cooperation. These include: Double Taxation Avoidance Agreement, Bilateral Investment Protection and Promotion Agreements on cooperation in Health, Agriculture, IT, Science and Technology and Defence. Key focus areas between India and Hungary are Auto-components, Pharmaceuticals, and Information Technology. Several IT companies, viz. TCS, Genpact, Wipro and Cognizant, have established their operations in Budapest (India-Hungary Relations, 2011).

Table 4.2.12

India-Hungary Bilateral Trade

Year	India's Exports to Hungary (in million USD)	India's Exports to Hungary (in million USD)	Total Trade (in million USD)
2008-09	439.69	190.34	630.03
2009-10	269.68	194.95	464.63
2010-11	212.85	342.97	555.81
2011-12	316.00	437.28	753.28
2012-13	323.74	262.91	586.66

Source: Export Import Data Bank, Department of Commerce, GOI.

Bilateral trade between India and Hungary was USD 630 million in 2008-09, it declined by -26.25% in 2009-10. Bilateral trade between the two nations was improved by 19.62% in 2010-11 and by further 35.52% in 2011-12. India's main export to Hungary includes machinery and mechanical appliance, electrical equipment, products of the chemical or allied industries, vehicles and associated transport equipment, footwear, headgear and accessories of fashion, **textiles and textiles articles,** prepared foodstuffs, beverages, tobacco products. India's import from Hungary comprises of machinery and mechanical appliances, electrical equipment, vegetable products, products of the chemical or allied industries, base metals, materials and products of paper industry; optical, medical instruments including other. (India-Hungary Relations, 2014). **As far as the textile trade between these countries is concerned it is not satisfactory, it declined in the past years. In 2010-11 India's textiles export to Hungary was USD 6.21 million and in 2011-12 it reduced to USD 5.71 million, noting a decline of -8.05%.**

The investment relations between the two nations are on the rising trend. Indian companies have invested USD 1.3 billion in Hungary and there is scope for further improvement (Ramachandran, 2012).

4.2.13 India- Ireland Trade Relations

The trade and economic relations between India and Ireland have increased over the years. Huge potential and opportunities exist for Indian and Irish business for collaboration, trade and investment. The government of Ireland has identified India as a focus country in Beland's Asia Strategy, and this opportunity could be utilized to increase economic and commercial relations (India-Ireland Relations, 2013).

Table 4.2.13

Indo- Irish Bilateral Trade

Year	India's Exports to Ireland (in million Euro)	India's Imports from Ireland (in million Euros)	Total Trade (in million Euros)
2008	265.00	161.00	426.00
2009	281.00	158.00	439.00
2010	301.00	162.00	463.00
2011	372.00	217.00	589.00
2012	235.00	365.00	600.00

Source: India- Ireland Relations, 2013.

The bilateral trade between India and Ireland has improved over the years. In 2011 total trade was Euros 589 million, it improved to Euro 600 million in 2012. India's import from Ireland has a huge growth potential. India's main export to Ireland includes electronic goods, medical & pharmaceutical products, crude minerals, transport equipments, machinery except electronic, and dairy products, whereas Ireland's export to India comprises cotton, drugs, pharmaceuticals, rubber products except footwear, tea, inorganic/organic/agro chemicals, machinery and instruments, processed minerals, electronic goods etc. (Ireland India Bilateral Trade Data, 2012.). **India Ireland textiles trade has improved over the years. In 2010-11, India's textiles export to Ireland was USD 66.38 million and it reached to USD 82.19 million in 2011-12, recording an increment of 23.82%.**

4.2.14 India- Italy Trade Relations

India and Italy have been in a cordial relationship since 1947 when political knot were tied between them. Italy is among India's top trading partners in the EU and the 12th largest investor in India.

Table 4.2.14

Indo-Italian Bilateral Trade

Year	India' Exports to Italy (in million Euros)	India's Imports from Italy (in million Euros)	Total Trade (in million Euros)
2005	2200.2	1679.1	521.1
2006	2984.2	2170.1	814.1
2007	3393.9	3009.6	384.3
2008	3429.0	3091.1	337.9
2009	2906.9	2750.2	156.7
2010	3823.5	3386.7	436.8
2011	4781.6	3740.1	1041.5

Source: Indo-Italian Trade and Economic Relations.

Economic recession of 2008 affected India-Italy trade and registered a negative annual growth rate of 13% in 2009 but in 2010-11 total turnover in trade improved and registered an increase of 28% (FICCI, 2013). The same improvement in trade between these two nations registered an annual growth rate of 18% in 2011-12.

Indian exports to Italy comprises of readymade garments, textiles yarns, leather products, chemicals and dyes, iron ore, marine products, agricultural and engineering items, gems and jewelry, carpets, coffee and pharmaceuticals. These items are responsible for about 90% of Indian exports to Italy. Besides, Indian export to Italy, the items that Italy exports to India include machinery and capital goods, medium oil and gas oil, precision tools, non-electrical equipment, engineering items, metallurgical products, iron and steel laminates, chemicals and pharmaceutical products (FICCI,2013). **Textiles trade between India and Italy has always been**

favourable. In 2010-11, India textile export to Italy was USD 805.91 million and reacted to USD 935.23 million in 2011-12.

Newer avenues of trade and commerce are opening up between India and Italy; as a result the governments of both countries are hopeful that Italian exports to Indian will surge in the near future (**Economy** Watch, 2013).

4.2.15 India- Latvia Trade Relations

The trade relations between India and Latvia are warm and emerging. With the desire to enhance economic and commercial relations a number of agreements have been signed between the two countries in the field of trade and investments including: Declaration of Principles and Directions of Co-operation, signed in September, 1995; Protocol on Foreign Office Consultations, signed in September 1995; Air Services Agreement, signed in October 1997; Agreement on the Inter- Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation, signed on June 27, 2001; Cultural Exchange Programme, signed in May 2006 and Bilateral Investment Protection Agreement, signed in February, 2010.(**Indo-Latvian Trade**).

Table 4.2.15

Indo-Latvian Bilateral Trade

Year	India's Exports to Latvia (in million USD)	India's Imports from Latvia(in million USD)	Total Trade (in million USD)
2007-08	59.50	40.95	99.95
2008-09	44.93	113.87	158.80
2009-10	47.17	154.94	202.11
2010-11	103.19	196.32	299.51
2011-12	96.18	414.53	237.71
2012 (April-Sept)	48.53	44.21	92.74

Source: DGFT, India. (2013).

Indo-Latvian trade had always been stable but in 2011-12 it dipped by -20.93% due to a sharp decline in India's export to Latvia in 2011-12. India exports tea, coffee, pharmaceuticals, tools, chemicals, garments, iron and steel and other such commodities to Latvia. While Latvia export chemicals, fertilizers, iron and steel, machinery among others to India (India-Latvia Relations, 2012). **In the past few years Latvia emerged as an attractive textiles export destination of India. India's textiles exports to Latvia increased by 31.80% in 2011-12 over the year 2010-11. In 2010-11, India's textiles export to Latvia was USD 9.56 million and in 2011-12, it became USD 12.60 million.**

In addition to this Indian SMEs have found a lucrative market in Latvia, which also serves as an ideal gateway to the thriving Baltic market. Likewise, Latvian SMEs are also keen on forging strategic tie-ups and collaborations with their Indian counterparts to promote commodity and technical exchange. According to trade analysts, Indian SMEs can capitalise on the growing demand for Indian goods in Latvia.

4.2.16 India- Lithuania Trade Relations

India and Lithuania enjoy close relations. Lithuania believes that there is a close similarity between Lithuanian and Sanskrit language. Diplomatic relations were established with Lithuania on 25th Feb.1992 and a number of agreements have been signed between India and Lithuania namely Agreement on Trade and Economic Co-operation (signed in July 1993), Protocol on Bilateral Consultations between the two Foreign Offices, signed in August 1995; Agreement on Air Services (signed in February 2001), Agreement on cooperation in Sphere of Culture, Science and Education in February 2001 and Agreement on Economic and Technological cooperation (signed in February 2001) (India-Lithuania Relations, 2013).

India's export to Lithuania has always experienced stability. As far as India's import to Lithuania is concerned it declined to USD 45.91 million in 2012-13 from USD 203.37 million in 2011-12.

Table 4.2.16

Indo-Lithuania Bilateral Trade

Year	India's Exports to Lithuania (in million USD)	India's Imports from Lithuania (in million USD)	Total Trade (in million USD)
2008-09	60.26	572.67	632.92
2009-10	66.39	72.69	139.08
2010-11	83.30	125.45	208.75
2011-12	134.89	203.37	338.26
2012-13	147.43	45.91	193.34

Source: Export Import Data Bank, Department of Commerce, GOI.

India exports pharmaceutical, cosmetics, textiles and consumer goods to Lithuania; while Lithuania exports machinery and mechanical appliances, high tech optical instruments, base metals and articles of base metals, chemicals, Sulphur, lime and cement to India (India-LithuaniaRelations,2013). **India's textiles trade with Lithuania improved in the last few years. India's textiles export to Lithuania increased by 24.47% in 2011-12; whereas export reached to USD 9.41 million in 2011-12 in value terms over the year 2010-11.**

4.2.17 India- Luxembourg Trade Relations

India and Luxembourg experience cordial relationship. Luxembourg is the twenty sixth largest trading partner of India among all European Union member nations with an annual bilateral trade of 66 million Euros in 2011. Bilateral trade between India and Luxembourg was 111.39 million Euros which is 9% less than the trade in 2011 (India-Luxembourg Relations, 2013). "Indian exports to Luxembourg decreased marginally from 12.2 million Euros in 2004 to 10.6 million in 2009; whereas Indian import from Luxembourg increased from 11.4 million Euros in 2004 to 34 million Euro in 2009. **India exports mainly in the sector of Textile and Clothing,** metal and Metal products and Engineering items. **In 2009, the Textile and Clothing sector contributed about 66% to India's total export to Luxembourg.**

In 2011-12, Luxembourg emerged as the top textiles export destination of India with growth of 107.14% over the year 2010-11. Luxembourg, on the other hand, exports Engineering products, Metal and Metal products and rubber & plastic products. In 2009, engineering products accounted for 83 % of Luxembourg export to India **(India-Luxembourg Relations, 2012).**

Table 4.2.17

Indo-Luxembourg Bilateral Trade

Year	India's Exports to Luxembourg (in million USD)	India's Imports from Luxembourg (in million USD)	Total Trade (in million USD)
2008-09	11.56	24.83	36.39
209-10	4.78	33.85	38.63
2010-11	18.76	36.62	55.39
2011-12	9.10	56.02	65.11
2012-13	8.20	48.09	56.29

Source: Export Import Data Bank, Department of Commerce, GOI.

A number of important bilateral agreements/MoUs have been signed between these two nations such as Memorandum on Cooperation in the field of health, signed in New Delhi on 8 May 1996; Cultural agreement, signed in New Delhi on 10 September 1996; Agreement on cooperation for supply of equipment for cold chain system for blood and blood products, signed in New Delhi on 15 April 1997; Bilateral Investment Protection Agreement (BIPPA) signed in November, 1997 with BLEU; Air Services Agreement, signed in New Delhi, on 8 January 2001; Agreement by exchange of letters on steel technology, signed in New Delhi in February 2003;Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, signed in New Delhi on 2 June 2008; and Social Security Agreement signed on 30 September 2009 and entered into force on 1 June 2011 (India- Luxembourg Relations,2012).

4.2.18 India- Malta Trade Relations

India and Malta enjoy good trade relations. India was one of the first countries to recognize independence of Malta in 1964 and established diplomatic relations with her in 1965.Numbers of bilateral agreements and treaties have been signed between the two countries in the fields of culture, cooperation, economic, scientific and technical cooperation. During the visit of Maltese President to India in 1992, two agreements were signed, one on Cultural Cooperation and the other on Economic, Scientific and Technical Cooperation (India-Malta Relations, 2013). An agreement for Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to taxes on income has been successfully concluded in April, 2013 (India-Malta Relations, 2013).

Table 4.2.18

Indo-Malta Bilateral Trade

Year	India's Exports to Malta (in million USD)	India's Imports from Malta (in million USD)	Total Trade (in million USD)
2008-09	100.08	5.13	105.22
2009-10	708.85	12.11	720.96
2010-11	746.78	35.87	782.64
2011-12	848.99	42.34	891.33
2012-13	398.22	42.60	440.81

Source: Export Import Data Bank, Department of Commerce, GOI.

Bilateral trade relations between India and Malta have experienced a positive growth in recent years. The total trade between the two nations was USD 782.64 million in 2010-11, it improved to USD 891.33 million in 2011-12. **As far as the textiles trade between India and Malta is concerned, India is experiencing a declining trend. In 2010-11 India's textiles export to Malta was USD 1.81 million and it reduced to USD 1.47 million in 2011-12, recording a decline of -18.78%.**

4.2.19 India- Netherlands Trade Relations

India and the Netherlands have been enjoying cordial relations since 1947. Both have been cooperative in various fields namely political, economy, culture and academics. Number of agreements have been signed in these areas and India has been identified as an important market for Dutch (India-Netherlands Relations, 2012).

Table 4.2.19

India-Netherlands Bilateral Trade

Year	India's Exports to Netherlands (in million USD)	India's Imports from Netherlands (in million USD)	Total Trade (in million USD)
2008-09	6348.69	1914.95	8263.64
2009-10	6397.56	2130.00	8527.56
2010-11	7677.56	1853.10	9530.66
2011-12	9151.25	2618.50	11769.74
2012-13	10565.02	2379.09	12944.11

Source: Export Import Data Bank, Department of Commerce, GOI.

India-Netherlands bilateral trade has increased over the years. In 2008-09, the bilateral trade was USD 8263.64 million, it increased by 3.19% and reached to USD 8527.56 million in 2009-10. It further increased by 11.76% in 2010-11, by 23.49% in 2011-12 and by 9.97% in 2012-13. **India-Netherlands textiles trade has also been impressive. In 2010-11 India's textile export to the Netherlands was USD 582.16, it increased by an impressive growth of 23.72% in 2011-12 and reached to USD 720.25 million.**

4.2.20 India- Poland Trade Relations

India and Poland enjoy close and friendly relations. Bilateral trade between the two countries went up about eleven times from 1992 till 2008 (Indo-Poland Relations, 2012). India and Poland have entered into a number of bilateral agreements in the field of investment, science and technology. India's export to Poland include tea, coffee, textiles, pharmaceuticals, spices, machinery and investments auto parts and surgical items and it amounted $ 1240 million in 2012 (India-Poland Relations, 2013). Whereas Poland's export to India include machinery except electric and electronic appliances, artificial resins, plastic material, non-ferrous metals and machine tools (India-Poland Relations, 2013).

Table 4.2.20

Indo-Poland Bilateral Trade

Year	India's Exports to Poland (in million USD)	India's Imports from Poland (in million USD)	Total Trade (in million USD)
2008-09	518.45	266.12	784.56
2009-10	421.13	387.29	808.42
2010-11	666.22	386.04	1052.25
2011-12	787.00	624.25	1411.24
2012-13	810.85	863.25	1674.10

Source: Export Import Data Bank, Department of Commerce, GOI.

Bilateral trade relations between India and Poland have been continuously rising. India's export to Poland was USD 787.00 million in 2011, it improved to USD 810.55 million in 2012. **India has good textiles trade relations with Poland. India's textiles export to Poland has increased by 28.03% in 2011-12 over the year 2010-11.** Poland has recognized India as a major power in Asia and an active player in international market. Polish market is an attractive destination for Indian exporters.

4.2.21 India- Portugal Trade Relations

India and Portugal remain close friends. Diplomatic relations between these two countries were established in 1949 but because of the negotiations over Goa, the relations became harsh ON Sep 1, 1955. On Dec 31, 1974, India signed a Treaty re-establishing diplomatic relations and the Embassies of the two countries were re-opened (India-Portugal Relations, 2013).

Numbers of bilateral agreements were signed in the fields of Trade, Economic, Industrial and Technical cooperation beside these agreements a series of trade agreements were also signed. The new and younger generation of business leaders in our country is looking forward to exploring new areas in infrastructure, IT, renewable energy and pharmaceuticals.

Table 4.2.21

India-Portugal Bilateral Trade

Year	India's Exports to Portugal (in million USD)	India's Imports from Portugal (in million USD)	Total Trade (in million USD)
2008-09	440.44	56.92	497.36
2009-10	374.57	71.06	445.63
2010-11	526.84	85.37	612.21
2011-12	525.27	303.62	828.89
2012-13	528.46	378.21	906.67

Source: Export Import Data Bank, Department of Commerce, GOI

India-Portugal bilateral relations have improved over the years. The total trade between the two nations was USD 828.89 million in 2011, it climbed to USD 906 million in 2012. The main items that India exports to Portugal include marine products, **cotton and synthetic textiles, staple fibres,** leather, footwear, hides and skin, coffee, tea and spices. Indian carpets, gems and jewellery, silk and silk products and organic chemicals have recently captured an important place in Portugal market. Portugal's main export to India includes cork and cork products, pulp and paper products, organic chemicals and plastic and its products. The Portuguese Ministry of Trade has identified India as a market to be developed on a priority basis. (The Indian Analyst,2007). **India-Portugal textiles trade relations are not satisfactory. In last few years, India has lost its textiles export shares in Portuguese textiles market. In 2010-11, India's textiles export to Portugal was USD 241.30 million but it reduced by -8.70% in 2011-12.**

4.2.22 India- Romania Trade Relations

The trade relations between India and Romania have been friendly and cooperative. India acts as an important economic partner for Romania and Indian market represents a hub of opportunities for Romanian goods. At the same time, India and Romania have worked together by joining hands in the fields of oil, pharmaceuticals, energy, weaving machinery and others.

Table 4.2.22

India-Romania Bilateral Trade

Year	India' Exports to Romania (in million USD)	India's Imports from Romania (in million USD)	Total Trade (in million USD)
2008-09	498.41	341.23	839.64
2009-10	330.81	225.35	556.16
2010-11	426.03	237.45	663.48
2011-12	269.54	455.43	724.97
2012-13	283.15	311.12	594.27

Source: Export Import Data Bank, Department of Commerce, GOI

During 2011-12, bilateral trade reached US$724.297 million as India's exports were US$269.54 million and imports were US$455.43 million. "India's main export to Romania includes electric machines, devices & equipment, common metals, chemical and allied industries products, plastic and rubber materials, textiles, food products, beverages and tobacco, vegetable products, paper and cardboard and its scarp, articles made of stone, cement, ceramics, glass and optical photographic, cinematographic, medical instruments and devices. The main items of import from Romania were common metals, sound and image displayers & recorders, chemicals and connected industrial products, plastic, rubber materials, textiles, vegetable products, transport vehicles and mineral products" (India-Romania Relations, 2013). **India-Romania are enjoying good textiles trade relations. India's textiles export growth in Romania's market increased by 18.05% in 2011-12. India's textiles export to Romania was USD 28.14 million and it became USD 33.22 million in 2011-12.**

Romania and India can not only have cooperation and friendly relations but they can also share the common problems and issues and resolve them.

4.2.23 India- Slovakia Trade Relations

India and Slovakia enjoy friendly relation without any bilateral problem. In 2008-09 India exported leather, footwear components, garments, bed/table linen, drugs & pharmaceuticals, vehicles and vehicle parts to Slovakia; whereas Slovakia exported iron steel, cranes, mattress supports, machinery, vehicles and vehicle parts, pharmaceutical products etc (India- Slovak Republic Relations, 2013).

Table 4.2.23

India-Slovakia Bilateral Trade

Year	India's Exports to Slovakia (in million USD)	India's Imports from Slovakia (in million USD)	Total Trade (in million USD)
2008-09	35.83	46.01	81.84
2009-10	35.76	40.30	76.06
2010-11	59.47	88.03	147.50
2011-12	94.36	87.98	182.34
2012-13	107.01	63.44	170.45

Source: Export Import Data Bank, Department of Commerce, GOI

India's export to Slovakia has improved recently. In 2012-13 India's export to Slovakia reached to USD 107.01 million from USD 35.83 million in 2008-09. **India-Slovakia have improved their textiles trade relations. An increasing trend has been noticed in the last few years. India's textiles export to Slovakia was USD 12.02 million in 2010-11 and it increased to USD 17.81 in 2011-12 with growth of 48.17%.**

A number of bilateral agreements have been signed between the two countries in the fields of science and technology, defense cooperation, air services agreement, economic cooperation. Besides these agreements there is a Student Exchange Programme between the two countries. The ICCR (Indian Council for Cultural Relations) offers 2 slots every year to Slovakia students for higher education in India whereas Slovakia offers 1-2 slots to Indian Students. (India-Slovakia Relations, 2013)

4.2.24 India- Slovenia Trade Relations

India recognized Slovenia on 11 May 1992 after the country had declared independent on 25 June 1991 (India-Slovenia Relations, 2013). There have been a number of high level visits between the two countries and number of bilateral agreements have been signed in the areas of science & technology and culture namely Agreement on setting up Joint Committee on Bilateral Trade and Cooperation (1993); Agreement on Scientific and Technological Cooperation (1995); Agreement between FICCI/ASSOCHAM and the Slovene Chamber of Commerce and Industry to set up Joint Business Council (1995); Protocol on Foreign Office Consultations (1996); Cultural Agreement for cooperation in the fields of culture, arts, education, sports and mass media (1996); National Centre for Trade Information, India (NCTI) – Chamber of Commerce of Slovenia (CCS) Agreement for reciprocal sharing of information (1997); Double Taxation Avoidance Agreement (2003); Export Credit Guarantee Corporation (ECGC) – Slovenian Export Corporation (SEC) Cooperation Framework Agreement (2003); Bilateral Air Services Agreement (2004); MOU between ICCR and University of Ljubljana for establishment of Hindi Chair (2009); Agreement on Mutual Promotion and Protection of Investments (2011); MOU between the Bureau of Indian Standards and Slovenian Institute for Standardization (2011); MOU between the Indian Institute of Science, Bengaluru and University of Nova Gorica for Cooperation in the Field of Research and Education (2011); MOU for the establishment of Long Term Chair of Hindi at Faculty of Arts, University of Ljubljana (2011); MOU between Air India, Aerodrom Ljubljana and Adria Airways (2011); and Protocol amending the Bilateral Air Services Agreement (2012) (India-Slovenia Relations, 2013).

The trade relations between India and Slovenia have been growing steadily. Total trade between these two nations was USD 384.00 million in 2011-12 with India's export to Slovenia of worth USD 227.02 million. In 2012-13, India's export to Slovenia reached USD 273.79 million and total trade reached to USD 391.29 million. Slovenia's export to India also improved to USD 391.29 in 2012-13 from USD 384.00 million in 2011-12. **As far as textiles trade between these two nations is concerned, it has been on an increasing trend. In 2011-12, India's textiles export to Slovenia registered a growth of 25.58%, recording a growth of USD 3.72 million over 2010-11 in value terms thereby reaching a level of USD 18.26 million.**

Table 4.2.24

India-Slovenia Bilateral Trade

Year	India's Exports to Slovenia (in million USD)	India's Imports from Slovenia (in million USD)	Total Trade (in million USD)
2008-09	160.70	75.18	235.88
2009-10	192.58	118.14	310.72
2010-11	187.42	92.00	279.43
2011-12	227.02	156.98	384.00
2012-13	273.79	117.50	391.29

Source: Export Import Data Bank, Department of Commerce, GOI

The top five items that India export to Slovenia includes Flat-rolled production of stainless steel, Heterocyclic compounds, Uncoated paper and paperboard, Pumps and compressors, Hydraulic turbines , water wheels. The top five items that India imports from Slovenia are Heterocyclic compounds, Ferro-alloys, Medicaments and motor cars (Embassy of India, 2013).

4.2.25 India- Spain Trade Relations

The relations between India and Spain have been friendly, particularly since the establishment of democracy in Spain in 1978. The two nations have signed bilateral agreements in the fields of trade and economic cooperation, culture, science and technology, tourism, politics and tourism.

Table 4.2.25

India-Spain Bilateral Trade

Year	India's Exports to Spain (in million USD)	India's Imports from Spain (in million USD)	Total Trade (in million USD)
2008-09	2538.15	1023.80	3561.95
2009-10	2029.26	1095.53	3124.79
2010-11	2565.29	1487.58	4052.87
2011-12	2999.27	1809.78	4809.06
2012-13	2865.75	1815.66	4681.40

Source: Export Import Data Bank, Department of Commerce, GOI

The bilateral trade between the two nations was USD 4681.40 million. India's exports to Spain amounted to USD 2865.75 million; whereas imports amounted to USD 1815 million. The main items that Spain imports from India are organic chemicals, textiles and garments, iron and steel products, automotive components, marine products, and leather goods. India's import from Spain includes machine and mechanical appliances, vehicles and automobiles, plastic manufactures, electrical appliances, rubber and rubber products and olive oil. (India-Spain Relations, 2013). **The growth in India's textiles export to Spain has not been very impressive. In last few years a slight increment has been noticed. India's textiles export to Spain increased by 6.36% in 2011-12 over the year 2010-11. In 2010-11, India's textiles export was USD 737.98 million, it slightly increased and reached to USD 784.92 million.**

Spanish customers are known for their quality consciousness and therefore Indian exporters must ensure the quality of their products so as to expand their trade relations with Spain.

4.2.26 India- Sweden Trade Relations

The relations between India and Sweden are cordial. Since the visit of Indian Prime Minister Jawahar Lal Nehru to Sweden in 1957 a number of bilateral Ministerial visits have taken place focusing specific areas of cooperation. To enhance the relations a number of institutional agreements have been signed to promote trade, investments and other relations.

India represents as Sweden's 19th largest export market and third largest trade partner after China and Japan in Asia.

Table 4.2.26

India-Sweden Bilateral Trade

Year	India's Exports to Sweden (in million USD)	India's Imports from Sweden (in million USD)	Total Trade (in million USD)
2008-09	566.69	1952.50	2519.18
2009-10	476.63	1590.14	2066.76
2010-11	627.73	1619.38	2247.11
2011-12	825.00	1940.78	2765.79
2012-13	686.15	1681.43	2367.58

Source: Export Import Data Bank, Department of Commerce, GOI

India's exports to Sweden improved in 2011-12 to USD 825 million from USD 627.73 million 2010-11. But it dropped in 2012-13 to USD 686.15 million. India's export to Sweden embraces chemical products, food products, and semi manufactured and manufactured goods. The main items that Sweden Exports to India are pharmaceuticals, paper and pulp products, chemicals, engineering products and telecom equipments. (India-Sweden Relations, 2012). **India's textiles trade with Sweden has also improved in recent years. In 2010-11, India's textile export was USD 188.13 million, it increased by USD 38.72 million and reached to USD 226.92 million in 2011-12 with growth of 20.62%.**

4.2.27 India- U.K. Trade Relations

There have been a number of high level visits between India and UK. The UK stands 5th in inward investment in India after Mauritius, Singapore and the USA. UK is among India's top trading partners.

Table 4.2.27 .

India-UK Bilateral Trade

Year	India's exports to UK (in million USD)	India's Imports from UK (in million USD)	Total Trade (in million USD)
2008-09	6649.53	5872.32	12521.86
2009-10	6221.39	4461.67	10683.06
2010-11	7284.96	5396.78	12681.73
2011-12	8589.93	7134.30	15724.23
2012-13	8612.54	6293.09	14905.62

Source: Export Import Data Bank, Department of Commerce, GOI

"India's main export to UK is comprised of cotton and ready-made garments and textiles (17.64%), transport equipments (7.63%), spices (5.79%), ores and minerals (4.98%), manufactures of metals (4.83%), machinery and instruments (4.63%), drugs and pharmaceuticals (3.90%) and marine products (3.89%). India imports from UK, ores, metal lifers and metal scraps (7.70%), pearls and semi precious stones (4.89%), professional instruments other than electronics (3.61%), non ferrous metals (3.37%), chemicals (3.18%) and machinery (3.03%). Thus UK market is a heap of opportunities for Indian exporters to go and tap" (CIA- The world fact book, 2013). **UK has always remained an important textiles export destination of India. The textiles trade between the two nations has been continuously increasing. In 2011-12, Indian textiles export grew by 13.64%, recording a growth of USD 244.2 million over the year 2010-11 in value terms thereby reaching a level of USD 2034.18 million.**

4.3India-EU Trade:

The relations between India and EU are as old as the birth of EU itself. Over the years this relationship has been nurtured and developed with a view to establish a closer co-operation and partnership. India had a great interest in EU because of the fact that EU nations were relatively industrialized nations ready with latest technologies and had explicit political leverage. Thus India endeavoured to cover all the areas of trade and investment, political linkages as well as cultural exchanges. The growing relations, dependence, co-operation and understanding between the two, indicate the success of India in the said direction. However, India had also remained an attractive destination for EU because India had been recognized by EU as the world's largest democracy with a population of over one billion people, registering a comfortable growth rate year by year.

Various delegations met from time to time to refresh the relations between these two nations. "The first India-EU Summit held in June 2000 and marked a turning point in the progress of the relationship. Since then, twelve annual summits have been held. The last one was held in New Delhi on 10 February 2012" (India-EU Relations, 2013). EU27 is India's largest trading partner. Bilateral trade between these two nations was valued at 75.8 billion Euros during 2012 as compared to 80.2 billion Euros in 2011, representing a decline of 5.49%.

The data in table 4.3.28 represents the trade in goods between India and EU. The data shows a growth in trade from 2009 to 2011. India's export to EU amounted to 37.2 billion Euros during 2012 as compared to the export in 2011.According to the data it experienced a decline of 5.3%. India's import from EU remained on increasing trend from 2009 to 2011but it dipped during 2012, showing a decline of 4.9%.

Table 4.3.28

India-EU Trade in Goods

Billion Euros

	EU Imports	EU Exports	Balance
2009	25.4	27.4	2.0
2010	33.2	34.8	1.6
2011	39.3	40.4	1.1
2012	37.2	38.4	1.1

Source: FICCI, 2013

India and EU are striving to further increase the trade relations between them by dismantling trade barriers in India.

4.4 Indian Textiles Industry- Structure and Trends

Manufacturing of textiles has always remained an indispensable part of the history of Indian Civilization. In the olden days the manufacturing of textiles was done by the weavers at their homes with the help of other family members. When they finished the production of cloth they sold it out to local merchants who visited the villages or the weaver himself wandered different villages to sell the cloth. With the passage of time Indian manufacturers started expending their production. In order to sell their stock of finished and semi-finished cloth they expended their trade networks. Indian manufacturers started capturing a good share in foreign markets. British East India Company and Dutch East India Company bought Indian textiles in exchange of gold and silver (Sardar, 2003). Now India has proved itself as the world's third largest producer of cotton and second largest producer of cotton yarn and textiles.

Indian textiles contribute nearly 4% to GDP, 14% to Industrial production and 10.5% to total exports of goods. It is the second largest employer in the country after agriculture. Nearly 35 million of Indian population gets employment through this sector. Directly or indirectly Indian textiles industry has strong linkage with both Rural and Urban India.

Table 4.4.29

Indian Textiles Industry Structure

Items	Unit	2007-08	2008-09	2009-10	2010-11	2011-12 (Prov)	2012-13 (Apr-Aug) (Prov)
Textile Mills (Non-SSI)							
Spinning Mills (Non-SSI)	No.	1597	1653	1673	1757	1761	1762
Composite Mills (Non-SSI)	No.	176	177	180	183	196	199
Total	No.	1773	1830	1853	1940	1957	1961
Exclusive Weaving Mills (Non-SSI)	No.	179	184	183	174	173	173
Spinning Mills (SSI)	No.	1219	1247	1260	1333	1336	1340
Powerloom Units	Lakh No.	469	494	505	518	520	312
Capacity Installed							
Spindles (SSI+Non-SSI)	Million No	39.07	41.34	42.04	47.57	48.25	48.66
Rotors (SSI+Non-SSI)	Lakh No.	621	659	674	749	771	782
Looms (Organised Sector)	Lakh No.	0.56	0.57	0.57	0.52	0.52	0.52
Powerloom	Lakh No.	21.06	22.05	22.46	22.92	22.98	23.16
Handloom	Lakh No.	38.91	38.91	23.77	23.77	23.77	23.77
Man-made Fibres	Million Kg	1659.22	1763.11	1763.11	1765.10	1766.00	1766.00
Man-made Filament	Million Kg	2101.33	2143.22	2188.22	2192.75	2259.99	2259.99
Worsted Spindles (Woolen)	Thousand No.	604	604	604	604	604	604
Non-Worsted Spindles (Woolen)	Thousand no.	437	437	437	437	437	437
Production of Fibres							
Raw Cotton-(cotton year Oct-Sept)	Lakh bales	307	290	305	339	353	334
Manmade Fibre	Million Kg	1,244	1,066	1,268	1,285	1,234	524
Raw Wool	Million Kg	44.00	42.90	43.20	43.30	43.30	-
Raw Silk	Million Kg	18.32	18.37	19.69	20.41	23.06	-

	Production of Yarn						
Cotton Yarn	Million Kg	2,948	2,896	3,079	3,490	3,126	1,434
Other Spun Yarn	Million Kg	1,055	1,016	1,114	1,223	1,246	515
Manmade Filament Yarn	Million Kg	1,509	1,418	1,523	1,550	1,463	605
Fabric Production							
Cotton	Million SqMtr	27,196	26,898	28,914	31718	30593	14140
Blended	Million SqMtr	6,888	6,766	7,767	8278	8394	3766
100% Non-Cotton (Including Khadi, Wool & Silk	Million Sq.Mtr.	21,941	21,302	23,652	22563	22377	8647.5
TOTAL	Million Sq.Mtr.	56,025	54,966	60,333	62,559	61,364	26,554
Per Capita availability ofCloth	Sq.Mtr.	41.85	39.01	43.12	43.96	-	-
Production of Textile Machinery	Rs. Crore	6,155	4,063	4,245	6,150	5280	-
	Textile Exports & Imports						
Exports (Including Jute, Coir&Handicraft)	Million US $	22,165.84	21,057.06	22,426.29	27,766.11	33,161.74	10146.15 *
Imports	Million US $	3,326.46	3,560.87	3,436.26	4,179.41	5,191.44	1670.21 *

*Upto Jul 2012

Source: Ministry of Textiles, GOI.

The Indian textiles industry is divided into two types of sectors i.e. Organized Sector and Unorganized Sector. Organized sector comprises spinning mills and composite mills whereas unorganized sector embraces handlooms, powerlooms, hosiery and knitting, readymade garments, khadi and carpet manufacturing units. Spinning mills (NonSSI) organized sector involve only in spinning activities whereas composite mills consist of spinning, weaving and processing activities. In 2007-08, there were 1773 textile mills (Non SSI) in India with installed capacity of 39.07 million Spindles, 621 Lakh Rotors and 0.56 Lakh Looms. The number of textile mills with installed capacity increased over the years. The total number of textile mills (non SSI) in 2011-12 was 1957 with installed capacity of 48.25 million spindles, 771 Lakh rotors and 0.52 Lakh looms. In 2012-13 (Apr-Aug) textiles mills (Non SSI) increased to 1961 with increased capacity of 48.66 million spindles, 782 Lakh rotors and 0.52 Lakh looms. In Indian Textiles Industry, decentralized powerloom sector plays an important role in terms of fabric production and employment. Nearly 57.44 Lakh persons get employment in powerloom sector and it adds 60% of the fabric to the textiles export basket of India. There were nearly 520 Lakh powerloom units with 22.98 Lakh powerlooms in 2011-12. The growth in the number of powerlooms installed has increased over the years. The growth percentage in installed capacity in powerloom sector has undergone an increase over the years; it was 4.7% in 2008-09, increased by 1.9% in 2009-10, 1.61% in 2010-11, and further increased by 0.68% in 2011-12. This increased growth percentage showed an improvement in 2012-13 and installed capacity in powerloom increased by 0.78%. Handloom sector of India is the source of employment to nearly 43 Lakh weavers and allied workers (Ministry of Textiles, GOI.). Indian hand woven fabric accounts 95% of the world's total hand woven fabric. In recent years economic slowdown has affected almost every sector in India. The installed capacity in Indian handloom sector was 38.91 Lakh in 2007-08 and it remained the same in 2008-09. In 2009-10 it reduced to 23.77 Lakh and no increment was noticed till 2012-13. GOI has introduced many schemes to motivate this sector. The installed capacity of Man-made fibre was increased by 6.26% in 2008-09, remained stagnant in 2009-10, 0.11% in 210-11, 0.05% in 2011-12 and almost remained stagnant in 2012-13 with growth in production of 14.3% in 2008-09, 18.94% in 2009-10, a miner increase of 1.34% in 2010-11 and a decline of -3.96% in 2011-12. In case of Man-made filament there has been a continuous improvement in installed capacity. In 2008-09, installed capacity in man-made filament increased by 1.99%, 2.09% in 2009-10, 0.20% in 2010-11, 3.06% in 2011-12 and remained almost stagnant in 2012-13 (Apr-Aug). The production of man-filament recorded a fall of about -6.03% in 2008-09 and a fall of -5.61% in 2011-12. Production of raw cotton also declined by -5.53% in 2008-09, it improved by 5.17% in 2009-10, by 11.14% in 2010-11, it further improved by 4.13% in 2011-12 but declined by -5.38% in 2012-13 (Apr-Aug). Cotton yarn production fell by -1.76% in 2008-09, an impressive growth of 13.34% was noticed in 2010-11 but in 2011-12 production declined by -10.42% and by -54.12% in 2012-13 (Apr-Aug). Over the years, production of cloth has been declining. It declined from 27,196 mn.sq.mtrs in 2007-08 to about 26,898 mn.sq.mtrs in 2008-09. It showed a steady growth of 7.49% in 2009-10 and 9.69% in 2010-11. A decline of -3.54% was noticed in 2011-12. Production of blended yarn has been registering an increasing growth since 2009-10. Production improved from 6,766 mn.sq.mtrs in 2008-09to about 8394 mn.sq.mtrs in 2011-12. 100% Non Cotton (including Khdi, Wool & Silk) declined over the years. It declined from 23,652 mn.sq.mtrs in 2009-10 to 22,377 mn.sq.mtrs in 2011-12. But if we look towards the total production of cloth by all sectors i.e. mills, powerlooms, handlooms, hosiery, khadi, wool & silk, it shows an increasing trend. In 2007-08 total production of cloth was 56,025 mn.sq.mtrs but reduced to 54,966 mn.sq.mtrs in2008-09 because of economic crises. It reached to 60,333 mn.sq.mtrs in 2009-10, registering an annual growth of 9.76%., it again improved in 2010-11 and registered a growth of 3.68%. A slight decline of -1.91% was noticed in 2011-12, but the overall picture is satisfactory. The improved production of cloth has lead to favourable per capita availability of cloth at domestic level. During 2008-09 the per capita availability of cloth was 39.01 mn.sq.mtrs and it reached to 43. 96 mn.sq.mtrs in 2010-11. Exports of textiles and clothing from India to the world increased in the past years. In 2008-09, the total export was USD 21,057.06 million and reached to USD 33,161.74 million in 2011-12, registered an increment of 19.43%. As far as the import of India's textiles and clothing from the world is concerned, it also improved in the last few years. In 2009-10, total import was USD 3,436.26 million, it improved in 2010-11 by a growth of 21.62% and reached to USD 5,191.44 million in 2011-12, registered a growth of 0.002%.

Table 4.4.30

India's Textiles & Clothing Exports Vis-à-vis Total World Exports

Year	Textiles			Clothing		
	World Export	India's Export	India's %age share in world exports	World Export	India's Exports	India's %age share in world exports
2004	195.0	6.85	3.51	258	6.62	2.57
2005	203.0	7.85	3.90	276	8.29	3.00
2006	218.6	9.33	4.30	311.4	10.20	3.30
2007	241.3	9.81	4.06	347.06	9.93	2.86
2008	253.4	10.45	4.12	364.91	11.50	3.15
2009	211.1	9.12	4.32	315.62	11.45	3.62
2010	251	12.87	5.13	351	11	3.13
2011	293.5	15.01	5.13	412.45	14.36	3.48

Source: International trade statistics 2012.

India's exports of textiles and clothing has increased over the years particularly after the phase-out of MFA in 2005, when quotas on the export of textile and clothing were completely removed. In 2005, India's textiles export registered a growth of 14.59%, recording a growth of USD 1 billion over 2004 in value terms; it reached a level of USD 218.6 billion in value terms in 2006 with growth of 18.85%. Growth continued in 2007 with textiles export of USD 9.81 billion recording an increase of 5.14% over the previous year and reached USD 10.45 billion in 2008 denoting an increase of 6.52% but declined in 2009 by -12.72 %. It improved by USD 12.87 billion with growth of 41.11% in 2010 and again recorded an increase of 16.62% in 2011 with export of USD 15.01 billion in value terms. Clothing export from India registered an increasing growth of USD 8.29 billion in value terms in 2005 with growth of 25.22%, it remained increasing in 2006 and registered a growth of 23.03% but it declined in 2007 by -2.64%. In 2008, India's clothing export increased and registered an increasing growth of 15.81% but again it declined by -0.43% in 2009 and by -3.93% in 2010. In 2011, export of clothing has grown by 30.54% over the year 2010 and touched USD 14.36 billion

Table 4.4.31

India's Textiles Exports- Top Ten Countries

(April, 2011 - Dec., 2011 and April, 2012 - Dec., 2012)

(USD Million)

SI No	Country	Apri, 2011-Dec, 2011	% Share (Total Textiles Exports)	April, 2011-Dec.,2012	% Share (Total Textiles Exports)	% Growth (April,12-Dec,12 over April,11-Dec,11)
1	USA	4083.35	17.21	4054.30	18.43	-0.71
2	CHINA P RP	2460.83	10.37	2103.88	9.56	-14.51
3	U ARAB EMTS	1603.25	9.76	1536.76	7.11	-2.46
4	UK	1478.42	6.76	1563.76	7.11	-2.46
5	BANGLADESH PR	758.74	3.20	1136.97	5.17	49.85
6	GERMANY	1391.99	5.87	1063.72	4.83	-23.58
7	FRANCE	734.13	3.09	546.99	2.49	-10.70
8	SPAIN	564.79	2.38	504.34	2.29	-10.70
9	ITALY	705.09	2.97	492.08	2.24	-30.21
10	NETHERLAND	522.00	2.20	411.89	1.87	-21.09
	Sub Total	14302.59	60.28	13329.41	60.58	-6.80
	Other	9426.07	39.72	8674.39	39.42	-7.97
	Total Textiles	23728.66		22003.80		-7.27

Source: DGCIS.

India's textiles and clothing exports have improved over the recent years, particularly after the removal of quantitative restriction imposed by the developed countries in 2005. In 2011, USA was the largest export destination of India's textiles among the top ten textiles export destination in the world, with textiles export of USD 4083.35 million. However in 2012 export to USA declined by -0.71% and reduced to USD 4054.30 million over the year 2011. China came second in 2011 with import of USD 2460.83 million, but in 2012 India's textiles export lost considerable market in China and felt a decline of -14.51%. Export of textiles from India to UAE was USD 1603.25 million in 2011 and declined by -2.46% in 2012. UK had an import of USD 1478.42 million in 2011 and experienced a decline of -1.82% in 2012. India's textiles export to Bangladesh increased over the years. In 2011 India exported USD 758.74 million worth of textiles to Bangladesh and in 2012 it reached to USD 1136.97 million, registering a growth of 49.85% over the previous year. Germany imported textiles of worth USD 1391.99 million, but in 2012 it declined sharply by -23.58% as compared to other top ten importers of textiles from India. India sharply loosed its textiles export market in France. Total textiles export to France was USD 734.13 million in 2011 and it reduced in 2012 by a heavy percentage of -25.49%. India's textiles export to Spain, Italy and Netherland registered a decline; -10.70% in Spain, -30.21% in Italy and -21.09% in Netherlands.

Table 4.4.32

India's Textiles Import- Top Ten Countries
(April, 2011 - Dec., 2011 and April, 2012 - Dec., 2012)

(USD Million)

Sl No	Country	April, 2011 - Dec., 2011	% Share (Total Textiles)	April, 2012 - Dec., 2012	% Share (Total Textiles)	% Growth (April, 12 - Dec., 12 over April, 11- Dec, 11)
1	CHINA P RP	1778.12	44.50	1718.37	42.31	-3.36
2	U S A	213.72	5.35	229.22	5.64	7.25
3	BANGLADESH PR	170.46	4.27	160.46	3.95	-5.87
4	TAIWAN	150.48	3.77	154.68	3.81	2.79
5	KOREA RP	128.92	3.23	129.76	3.20	0.65
6	GERMANY	120.26	3.01	117.37	2.89	-2.40
7	THAILAND	117.95	2.95	97.96	2.41	-16.95
8	JAPAN	78.89	1.97	92.90	2.29	17.76
9	INDONESIA	85.61	2.14	65.70	1.62	-23.26
10	HONG KONG	65.54	1.64	64.34	1.58	-1.83
	Sub Total	2909.95	72.82	2830.76	69.70	-2.72
	Other	1086.22	27.18	1230.50	30.30	13.28
	Total Textiles	3996.17		4061.26		1.63

Source: DGCIS

As far as India's textile Imports is concerned China comes first among the top ten import destinations of India. In 2011, India imported textiles from China of worth USD 1778.12 million but it fell by -3.36% in 2012. India's textiles import from USA improved in 2012 by 7.25% over the year 2011. Bangladesh was the top third import market of India among the top ten import destinations of India in the world in 2011 & 2012. But in 2012 India's import was declined to USD 160.40 million from 170.46 million in 2011 in value terms, noting a decline of -5.87%. India's textiles import from Taiwan was improved by 2.79% and from Korea by 0.65% in 2012, where as in case of Germany and Thailand it was reduced by -2.40% and -16.95% respectively. Japan as an attractive destination of India registered a growth of 17.76% in 2012 over the year 2011. In 2012 India's textiles import from Indonesia was declined to USD 65.70 million in value terms from USD 85.61 million in 2011 and from Hong Kong it was reduced to USD 64.34 million from USD 65.54 million in 2012.

4.5 EU's Textiles Industry- Structure and Trends

In EU, Textile & Clothing industry occupies a dominant position among other industries. The industry contributes nearly 6% to employment in EU manufacturing sector and 3.2% to total merchandises' exports (Euratex, 2012). In order to face the global competition specially after the phase-out of MFA on 1st Jan 2005, EU textiles industry is striving hard. EU textiles industry has turned towards the research and innovation to gain a larger share in global textiles market.

Table 4.5.33

EU-27 Textiles Structural Data

	2007	2008	2009	2010
Number of enterprises	76 852	63570	60000	62000
Turnover (€m)	110000	:	70000	80000
Production value (€m)	100000	80000	66000	70000
Added value at factor cost (€m)	30000	24000	20000	22000
Gross operating surplus (€m)	9000	6000	4000	:
Number of persons Employed	1010000	780000	686400	:
Apparent labour productivity	30	30	29	
Gross operating rate) (%)	900	680	600	850

Source : Eurostat *(Products covered: 2007 NACE Rev.1 code DB 17 and 2008-2010 Nace Rev 2 code C 13, : unavailable)*

After the removal of quotas EU textiles industry faced intense competition from the developing countries. As a result, EU started facing shutting down of enterprises and loosing employment in its textiles sector. As per the data in 2007, EU had total of 76852 enterprises, the number went on decreasing and fell to 62000 enterprises in 2010. Comparing 2007 and 2012, turnover decreased to Euro 80000 million because of the severe impact of global crises on EU textiles sector and as a result production declined from Euro 100,000 million in 2007 Euro 7000 million in 2010. Gross operating surplus was reduced from Euro 9000 in 2007 to Euro 4000 in 2009. EU textiles sector had 1010000 workers employed in 2007. The sector faced a cut of 230000 employees in 2008 and 93600 employees in 2009.

Table 4.5.34

EU Clothing Structural Data

	2007	2008	2009	2010
Number of enterprises	141063	138863	128389	129374
Turnover (€m)	87622	90000	72000	73000
Production value (€m)	79100	80000	65000	70000
Added value at factor cost (€m)	23700	24000	19200	19400
Gross operating surplus (€m)	8290	7000	4660	5580
Number of persons Employed	1300000	1320000	1132200	:
Apparent labour productivity	18,3	18,0	17,0	18,3
Gross operating rate) (%)	9,47	8,20	6,43	7,68

Source: Eurostst *(Products covered:2007 NACE Rev.1 code DB 18 and 2008-2010 Nace Rev 2 code C 14)*

The condition in EU clothing sector is somewhat better as compared to EU textiles sector. Total number of enterprises in EU clothing industry was 141063 in 2007. Clothing sector of EU also faced closing down of enterprises and a decline in turnover. The number of enterprises in EU clothing sector improved in 2010to 129374 from 128389 in 2009. Turnover was Euro 87622 million in 2007, it improved in 2008 by Euro 2378 million. In 2009 turnover reduced by Euro 18000 million because of global crises, it slightly improved by Euro 1000 million in 2010. Production was improved in 2008 by 1.13% over the previous year but it declined sharply by -18.75%

in 2009, it again improved in 2010 and registered a growth of 7.69%. Gross operating surplus was also improved in 2010 by 19.74% as compared to the decline in 2009. Number of workers employed in clothing sector of EU improved in 2008 over the year 2007, but it declined in 2009.

Table 4.5.35

Top 10 Suppliers in textiles (million€)

	2005	2006	2007	2008	2009	2010	2011
EXTRA-EUR	19.694	21.453	22.316	21.063	17.652	21.833	24.794
China	4.401	5.225	5.719	5.848	5.153	60754	7.562
Turkey	3.397	3.756	3.885	3.485	2.944	3.404	3.938
India	**2.04**	**2.223**	**2.413**	**2.248**	**1.876**	**2.276**	**2.624**
Pakistan	1.275	1.421	1.58	1.511	1.376	1.611	1.924
USA	959	1.046	1.002	966	797	964	1.001
South Korea	938	946	985	904	743	720	862
Switzerland	804	738	802	678	563	791	810
Japan	522	550	569	572	412	520	610
Egypt			350	309	269	386	469
Indonesia	388	439	460	401	305	422	455

Source: Eurostat, codes NC50 to NC60+NC63

Table 4.5.35 shows that China, Turkey, **India** and Pakistan are the main import partners of EU. The data of 2011 in this table shows China is the largest supplier of textiles to EU i.e. EU had imports of textile from China worth 5.153 million Euros in 2009; it increased upto 7.562 million Euros in 2011. Similarly Turkey, India and Pakistan's exports to EU have also increased over the time. India's textile import to EU improved to Euro 2.223 million in 2006 from Euro 2.04 million in 2005, indicating a growth of 8.97%, it improved in 2007 by 8.54% but declined by -6.83% in 2008 and by -16.54% in 2009 because of economic slowdown. In 2010, India's textiles export to EU increased and reached to Euro 2.276 million in 2011 and in 2011 it reached to Euro 2.624 million, added an increased growth of 15.28%.

Table 4.5.36

Top 10 markets in textiles (million€)

	2005	2006	2007	2008	2009	2010	2011
EXTRA-EUR	18.984	19.856	19.898	18.913	15.991	17.772	19.282
USA	2.697	2.679	2.504	2.049	1.529	1.737	1.819
Turkey	1.644	1.731	1.718	1.547	1.376	1.613	1.620
China	823	925	985	956	922	1.919	1.497
Tunisia	1.337	1.363	1.453	1.448	1.256	1.362	1.351
Switzerland	1.111	1.205	1.206	1.249	1.124	1.176	1.322
Morocco	1.238	1.289	1.339	1.278	1.045	1.173	1.223
Russia	822	1.008	1.087	1.142	758	891	1.032
Hong Kong	947	968	906	757	552	636	664
Ukraine	610	635	632	567	433	503	551
Japan	636	615	561	519	396	460	515

Source: Eurostat, codes NC50 to NC60+NC63

Table 4.5.36 shows that USA, Turkey, and Tunisia are the main EU textile export markets with worth 1.819 million Euros, 1.620 million Euros and 1.497 million Euros respectively in 2011. EU export data from 2009 to 2011 shows an increment, though it remained low from 2005 to 2008 but started picking an upward moving trend in 2009.

Table 4.5.37

Top 10 suppliers in Clothing (million€)

	2005	2006	2007	2008	2009	2010	2011
EXTRA-EUR	49.305	55.596	58.096	59.513	57.279	62.103	67.213
China	16.961	18.91	21.898	25.34	25.586	28.242	29.451
Turkey	8.098	8.249	8.915	7.877	6.99	7.855	8.186
Bangladesh	3.538	4.622	4.408	4.741	5.119	5.845	7.519
India	3.239	3.815	3.834	3.9	4.104	4.179	4.563
Tunisia	2.463	2.47	2.572	2.583	2.262	2.320	2.412
Morocco	2.264	2.373	2.545	2.393	1.997	2.091	2.149
Vietnam	690	1.028	1.129	1.249	1.197	1.347	1.659
Pakistan	779	909	909	884	891	992	1.250
Sri Lanka	797	972	1.043	1.125	1.164	1.195	1.239
Indonesia	1.2	1.426	1.196	1.122	1.085	1.069	1.223

Source: Eurostat, codes NC50 to NC61+NC62

Table 4.5.37 represents the top ten suppliers of clothing to EU. As per the table, China remains on the top position as import market of EU from 2005 worth 16.961 million Euros to 2011 worth 29.451 million Euros. EU's import of clothing from Turkey was significantly low in 2008 and 2009 but it becomes moderate in 2010 and 2011. The data from 2005 to 2011 shows that Bangladesh and **India** made an impressive progress over the years to become an important import market of EU. India's export of clothing amounted to Euro 3.23 million in 2005, it improved in 2006 and registered an impressive growth of 17.78%, it again improved by 0.49% in 2007, 1.72% in 2008 and 5.23% in 2009. In 2011, India's clothing export to EU showed an impressive growth of 9.18% as compared to the growth of 1.82% in 2010.

Table 4.5.38

Top 10 markets in Clothing (million€)

	2005	2006	2007	2008	2009	2010	2011
EXTRA-EUR	14.112	15.382	16.624	17.355	14.388	15.146	18.126
Switzerland	2.579	2.695	2.828	2.934	2.732	2.858	3.262
Russia	1.677	2.214	2.779	3.1	2.196	2.203	2.683
USA	2.11	2.056	2.001	1.79	1.31	1.504	1.787
Hong Kong	559	620	729	787	625	844	1.147
Japan	1.251	1.226	1.134	1.05	935	977	1.094
Turkey	330	418	467	573	531	61.7	755
Norway	688	674	711	741	647	624	673
China	-	-	179	241	280	366	565
Ukraine	303	405	529	597	394	419	477
U.A.Emirates	272	354	441	531	424	341	428

Source: Eurostat, codes NC50 to NC61+NC62

Table 4.5.38 represents that Switzerland, Russia and USA are the biggest EU clothing export markets. Among these three export destinations; Switzerland continues to account for a significant position from 2005 worth 2.579 million Euros to 2009 worth 3.262 million Euros. In 2011 EU exports clothing products worth 2.683 million Euros which is a significant positive change over the years. EU's exports of clothing to USA started declining from 2005 worth 2.11 million Euros to 1.31 million Euros in 2009, which shows a downward moving trend, but in 2010 and 2011 this downward trend started moving upward, export increased from 1.505 million Euros in 2010 to 1.787 million Euros in 2011.

4.6 India-EU Textiles Trade

Indian textile industry is one of the oldest industries of the nation. It is one of the largest employer and top foreign earner of the country. Thus, India needs to carefully analyse the consumption and production trends, generate and manage the exportable production surpluses, identify the target markets and make consistent efforts to enhance the market acceptability for its textile exports.

Simultaneously, textile and clothing industry occupy an important place in the EU industrial structure. It plays a pivotal role in economic and social development of various regions of EU. The EU textile and clothing sector is a SMEs based industry as companies of less of 50 employees account for more than 90% of the workforce and produce almost 60% of the value added (European Commission, 2013).

Table 4.6.39

India's Textiles Exports to EU Nations

(2010-11 and 2011-12)

(USD Million)

SI No	Country	2010-11	% Share	2011-12	% Share	% Growth (2011-12 over 2010-11)
1	AUSTRIA	31.41	0.11	41.87	0.13	33.30
2	BELGIUM	531.60	1.91	580.33	1.75	9.17
3	BULGARIA	9.03	0.03	11.26	0.03	24.70
4	CYPRUS	3.47	0.01	4.38	0.01	26.22
5	CZECH REPUBLIC	26.72	0.10	45.56	0.14	70.51
6	DENMARK	316.23	1.14	361.01	1.09	14.16
7	ESTONIA	10.77	0.04	19.87	0.06	84.49
8	FINLAND	66.64	0.24	90.61	0.27	35.97
9	FRANCE	835.56	3.01	982.64	2.96	17.60

10	GERMANY	1655.41	5.96	1841.26	5.55	11.23
11	GREECE	51.14	0.18	46.09	0.14	-9.87
12	HUNGARY	6.21	0.02	5.71	0.02	-8.05
13	IRELAND	66.38	0.24	82.19	0.25	23.82
14	ITALY	805.91	2.90	935.23	2.82	16.05
15	LATVIA	9.56	0.03	12.60	0.04	31.80
16	LITHUANIA	7.56	0.03	9.41	0.03	24.47
17	LUXEMBOURG	0.98	0.00	2.03	0.01	107.14
18	MALTA	1.81	0.01	1.47	0.00	-18.78
19	NETHERLAND	582.16	2.10	720.25	2.17	23.72
20	POLAND	142.35	0.51	182.25	0.55	28.03
21	PORTUGAL	241.30	0.87	220.30	0.66	-8.70
22	ROMANIA	28.14	0.10	33.22	0.10	18.05
23	SLOVAK REP	12.02	0.04	17.81	0.05	48.17
24	SLOVENIA	14.54	0.05	18.26	0.06	25.58
25	SPAIN	737.98	2.66	784.92	2.37	6.36
26	SWEDEN	188.13	0.68	226.92	0.68	20.62
27	U K	1789.98	6.45	2034.18	6.13	13.64
	Sub Total	8172.99	29.44	9311.63	28.08	13.93
	Others	19593.12	70.56	23850.11	71.92	21.73
	Total Textiles	27766.11		33161.74		19.43

Source: DGCIS, Ministry of Textiles, GOI (Updated on 20th July, 2012)

The above table shows India's textiles export to EU nations. Among the 27 members of EU, Luxembourg has proved to be the most attractive export destination of India. India's textiles export to Luxembourg was increased from USD 0.98 million in 2010-11 to USD 2.03 million in 2011-12, observing a growth of 107.14%, that is also the highest growth in 2012 among the 27 member nations of EU. Estonia is the second largest export destination of India among the EU members with growth of 84.49% in 2011-12 and Czech Republic is the third important export destination with growth of 70.51% in 2011-12. Slovak Rep. emerged as the 4th important export destination of India, as India's textiles export to Slovak increased by 48.17% in 2011-12 over the year 2010-11. Finland, Austria, Latvia, Cyprus, Slovenia and Bulgaria registered themselves as the top ten textiles export destination of India, among 27 members of EU. In 2011-12 India's textiles export registered a growth of 35.97% in Finland, 33.30% in Austria, 31.80% in Latvia, 26.28% in Cyprus, 25.58% in Slovenia and 24.505 in Bulgaria. In some of the EU members, India has lost its textiles market in last few years. In 2011-12, India's textiles export reduced by -18.78% in Malta, -9.87% in Greece, -8.70% in Portugal and by -8.05% in Hungary. In other nations of EU, Indian textiles exporters are doing well and steadily increasing their shares in EU textiles market.

Conclusion:

The relationship between India and EU has changed remarkably over the recent years. EU as a bloc of 27 countries is India's largest trading partner. India and EU have improved their trade in both goods and services. Both have signed number of agreements in different fields. India has registered herself as one of the leading trade partner of EU. The main evaluation in recent years has been the rapid rise of bilateral trade relations of many EU nations with India. As far as the case of Textiles and Clothing Industry is concerned, it occupies an important place in both the nations. After the removal of quotas both the countries are competing in global textiles market. The only difference is, EU is striving hard to shield its Textiles & Clothing sector from being vanished by the developing countries whereas India is competing with other rising developing giants specially China in international textiles market. From table 4.5.35, table 4.5.36, table 4.5.37 and table 4.5.38 we can see EU's top ten markets and suppliers in textiles and clothing. China, Turkey, India, Bangladesh and Sri Lanka are the top main suppliers in textiles and clothing to EU. India's supply of textile to EU has increased from 2.04 million euro in 2005 to 2.624 million euro in 2011, whereas the supply of India's clothing to EU27 has increased from 3.239 million Euros in 2005 to 4.563 million Euros in 2011, representing that India has more opportunity to expand if she explores her own resources to the optimum. Recently both the nations have signed an FTA which is going to benefit their Textiles and Clothing sector.

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Chapter-5

Chapter 5

DATA ANALYSES AND INTERPRETATION

India's textiles trade with EU members has been specifically discussed in the previous chapter. In the present chapter statistical tools are applied to analyse the data and an interpretation about facts and figure is made with an aim to test the design hypothesis and derive the logical inferences. The hypothesis is designed to measure the impact of phase-out of Multi-fibre Agreement (MFA) on textile trade between India and European Union.

5.1. Study Design

The present study is entirely secondary in nature. In order to perform this study the Secondary Data has been extracted from Annual reports, Newsletters, Survey reports, Websites, Publications and other available resources. Data has also been collected from Ministry of Commerce & Industry, Govt. of India, which maintains Export Import Data Bank. Trade data of EU has been accessed from the database maintained by European Commission. Relevant data related to economies of EU has been collected from the database of EUROSTAT. Statistical data pertaining to Indian Textile Industry has been compiled from Ministry of Textiles, Govt. of India. Data regarding EU's investment in Indian Textiles Industry has been agglomerated from FDI cell of DIPP. Exchange rates have been obtained from the database of Reserve Bank of India. References have also been made to World Investment Reports, Handbook of Statistics, Economic Surveys, Budgets and other relevant sources.

5.2. Parameters/Variables of the Study

To assess the impact of MFA PHASE-OUT **three** variables are considered for the present study. These variables are: Export, Import and FDI.

5.3. Hypothesis of the Study

A statistical hypothesis may be defined as a statement about the value of a population parameter, for example the mean, median, mode, variance, standard deviation, proportion or total[5] (Wyllys, 2003). A hypothesis may also concern the kind of probability distribution that a certain variable follows.

Hypothesis is categorized in two types. These are as follows:

- Null hypothesis (H_0)
- Alternative hypothesis (H_1)

The null hypothesis is formulated against the working hypothesis. It typically contradicts the positive statement made in the working hypothesis. For example, the null hypothesis might be that the population does not have any inference on the number of hospitals in a city. What is important about null hypothesis is that it can never be proven. This is due to the fact that null hypothesis relates to the statement being tested, whereas the alternative hypothesis relates to the statement to be accepted if the null hypothesis is rejected. The null hypothesis is denoted by H_0. The alternative hypothesis is a statement of what a statistical hypothesis test is setup to establish. For instance: Population has significant effect on the number of hospitals in a city. The notation used to mean alternative hypothesis is H_1.

In hypothesis testing, the significance level is the criterion used to reject the null hypothesis and is denoted by the Greek symbol α (Lower case Alpha). Conventional levels of significance are 10% (.1), 5% (.05), 1% (.01), 0.5% (.005) and 0.1% (.001). If a test of significance gives a "p-value" (p-value is the probability of obtaining a test statistic) lower than the significance level α, the null hypothesis is rejected. Such results are informally referred to as 'statistically significant' (*Statistical significance, n.d.)*. In statistics, the number of **degree of freedom (d.f.)** is the number of values in the final calculation of a statistic that are free to vary (*Degrees of freedom, n.d.)*

5.4. Testing of Hypothesis

A statistical hypothesis test is a method of making decisions using data, whether from a controlled experiment or an observational study (not controlled). In statistics, a result is called Statistically Significant if it is unlikely to have occurred by chance alone, according to a predetermined threshold probability, the significance level. The phrase 'test of significance' was coined by Ronald Fisher in 1925 as "Critical test of this kind may be called tests of significance, and when such tests are available we may discover whether a second sample is or is not significantly different from the first" (*Statistical hypothesis testing, n.d.)*.

In order to accomplish the present study the data is divided into two groups i.e. Pre MFA Phase-out and Post MFA Phase-out. And the hypotheses designed to execute the present study are as follows:

Hypothesis 1

Ho: There is no significant variation in India's Textile Export to EU between Pre and Post MFA phase-out.

H1: There is a significant variation in India's Textile Export to EU between Pre and Post MFA phase-out

Hypothesis 2

Ho: There is no significant variation in India's Textile Import from EU between Pre and Post MFA phase-out.

H1: There is a significant variation in India's Textile Import from EU between Pre and Post MFA phase-out

Hypothesis 3

Ho: There is no significant variation in EU's FDI in Indian Textile Industry between Pre and Post MFA phase-out.

H1: There is a significant variation in EU's FDI in Indian Textile Industry between Pre and Post MFA phase-out.

Hypothesis 4

Ho: There is no significant Impact of EU's FDI in Indian Textiles Industry on India's Textile Export to EU before MFA phase-out.

H1: There is a significant Impact of EU's FDI in Indian Textiles Industry on India's Textile Export to EU before MFA phase-out.

Hypothesis 5

H_0: There is no significant Impact of EU's FDI in Indian Textiles Industry on India's Textile Export to EU after MFA phase-out.

H1: There is a significant Impact of EU's FDI in Indian Textiles Industry on India's Textile Export to EU after MFA phase-out.

Hypothesis 6

Ho: There is no significant Impact of EU's FDI in Indian Textiles Industry on India's Textile Import from EU before MFA phase-out.

H1: There is a significant Impact of EU's FDI in Indian Textiles Industry on India's Textile Import from EU before MFA phase-out.

Hypothesis 7

Ho: There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU after MFA phase-out.

H1: There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU after MFA phase-out.

The researcher shall test the above hypotheses by applying Paired Samples T-Test and Linear Regression Model with the help of SPSS.

5.4. a. Paired Samples T-Test

Paired Samples T-Test is used to measure the significant difference between the average values of the same measurement made under two distinct conditions.

The t-test looks at the t-statistics, t-distribution and degree of freedom to determine a p-value (probability) that determines whether the population means differ or not. A p-value is the affirmation against a null hypothesis. It does not indicate whether the null hypothesis is correct or not, only if there is a significant evidence to reject it or retain it. Commonly a p-value under 0.05 is considered significant **(www.multid.se, n.d.).**

5.4. b. Simple Linear Regression Model

Simple linear regression is used to measure the relationship between one dependent variable *Y* and one independent variable *X*. It can be represented with the help of the following equation:

$$Y=\alpha+\beta_x$$

Y= Response Variable (Dependent Variable)

X= Known Constant value of the predictor Variable (Independent Variable)

Following are the results produced by Statistical tool (Paired Sample T-Test and Simple Linear Regression Model) that is applied by the researcher on the different parameters along with the set of designed hypotheses for the study.

5.5. Performance of India's Textile Export to EU

Table 5.5.1

Pre MFA India's Textile Export to EU

(HS Code from 50 to 63)

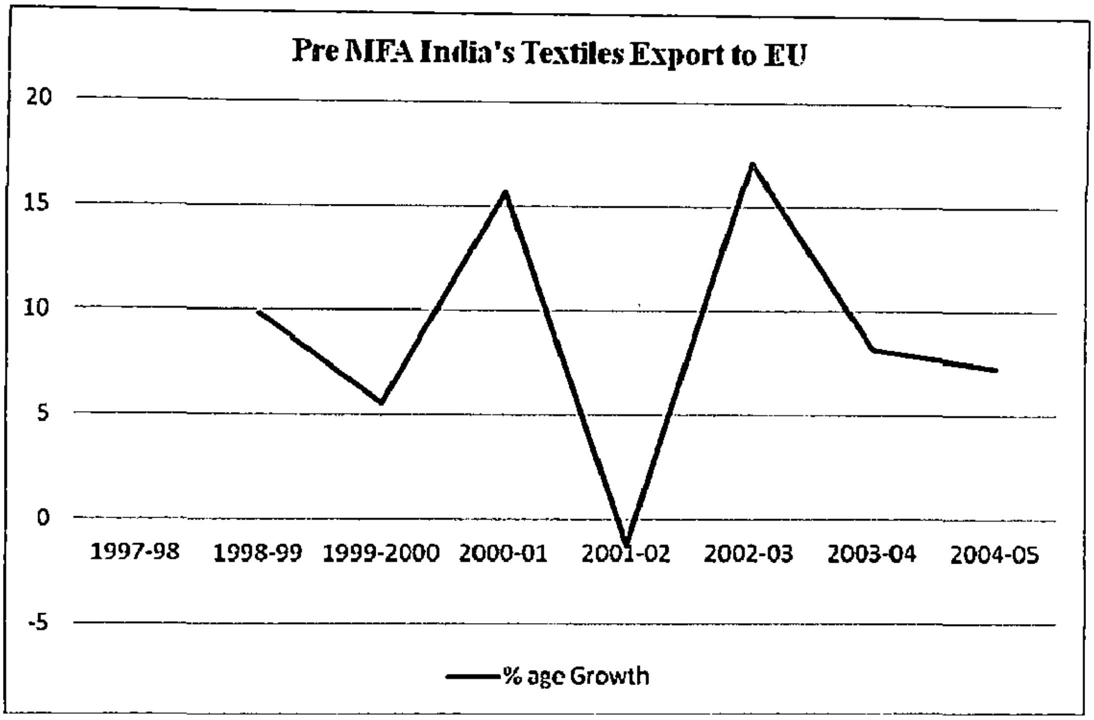
Year	Total (Rs Crore)	% Growth
1997-98	11942.1408	Nil
1998-99	13122.9665	9.88
1999-2000	13858.3224	5.60
2000-01	16029.4218	15.67
2001-02	15832.645	-1.23
2002-03	18546.2297	17.13
2003-04	20068.3115	8.21
2004-05	21531.3592	7.29

Source: Ministry of Commerce & Industry, Government of India

Note: % growth is calculated on the basis of immediate previous year.

Table 5.5.1 shows the performance of India's textile export to EU before the phase-out of MFA. According to the above table India's textile export to EU was on an increasing path till 2000-01 but it experienced a negative growth of -1.23% in 2001-02. However, it improved in 2002-03 by an effective progress of 17.13%. Year 2003-04 and 2004-05 also observed a positive growth but this growth percentage was not so impressive as it was in the year of 2002-03.

Figure 5.5.A



The data given in table 5.5.1 is also represented with the help of figure 5.5.A. This chart exhibits the trend of percentage growth in India's textile exports to EU before the phase-out of MFA.

Table 5.5.2

Post MFA India's Textile Export to EU

(HS Code from 50 to 63)

Year	Total (Rs crore)	% Growth
2005-06	28183.9282	Nil
2006-07	29850.2123	5.91
2007-08	29774.7467	-0.25
2008-09	36018.6383	20.97
2009-10	35664.7717	-0.98
2010-11	37046.898	3.86
2011-12	50160.023	35.39
2012-13	50716.2547	1.11

Source: Ministry of Commerce & Industry, Government of India

Note: % growth is calculated on the basis of immediate previous year.

Table 5.5.2 depicts the trend of India's textile export to EU after the phase-out of MFA. In the above table the percentage growth from 2006-07 to 2010-11 shows a fluctuating trend. The growth in India's textiles export was 5.95% in 2006-07 but it decrease to -0.25% in 2007-08. In the year 2008-09 it indicated an improvement by escalating to 20.97 % but the year 2009-10 witnessed all the time lowest of -0.98%. Soon an uptrend was seen when it reached to 3.86% in 2010-11. This percentage growth culminated to 35.39% in 2011-12, whereas 2012-13 on the contrary observed a steep fall to 1.11%. The table suggests that as India's textile export to EU is concerned, quota has indeed been a constraint.

Figure 5.5.B

The data given in table 5.5.2 is also elaborated with the help of Figure 5.5.B. This chart visualises the trend of percentage growth in India's textile exports to EU after the phase-out of MFA.

Hypotheses 1: Testing the variation in India's Textile Export to EU between Pre and Post MFA Period.

H_0: There is no significant variation in India's Textile Export to EU between Pre and Post MFA phase-out.

H_1: There is a significant variation in India's Textile Export to EU between Pre and Post MFA phase-out.

This hypothesis is designed to inspect whether there is any significant variation in India's textiles export to EU between Pre and Post MFA phase-out.

Table 5.5.3

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pre MFA	16366.4246	8	3420.84873	1209.45267
	Post MFA	37176.9341	8	8822.58772	3119.25580

This table demonstrates the Mean value and Standard Deviation of Pre MFA India's textiles export to EU (Mean=16366.4246, Std. Deviation=3420.84873) and Post MFA India's textiles export to EU (Mean=37176.9341, Std. Deviation= 8822.58772). Post MFA India's textile export to EU has the highest Mean Value of 37176.9337 and Standard Deviation of 8822.58568. This confirms a positive variation in India's textiles export to EU after the phase-out of MFA.

Table 5.5.4

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Pre MFA Post MFA	-20810.50950	5666.14642	2003.28528	-25547.52645	-16073.49255	-10.388	7	.000

The t-value is -10.388 and significant value (2 tailed) is 0.000 which is less than 0.05 (95% CI), it imply that the variation in India's textiles export to EU between Pre and Post MFA period is highly consequential. Hence, the alternative hypothesis that **there is a significant variation in India's Textiles Export to EU between Pre and Post MFA phase-out** stands accepted and null hypotheses is rejected.

5.6. Performance of India's Textile Import from EU

Table 5.6.5

Pre MFA India's Textile Import from EU

(HS Code from 50 to 63)

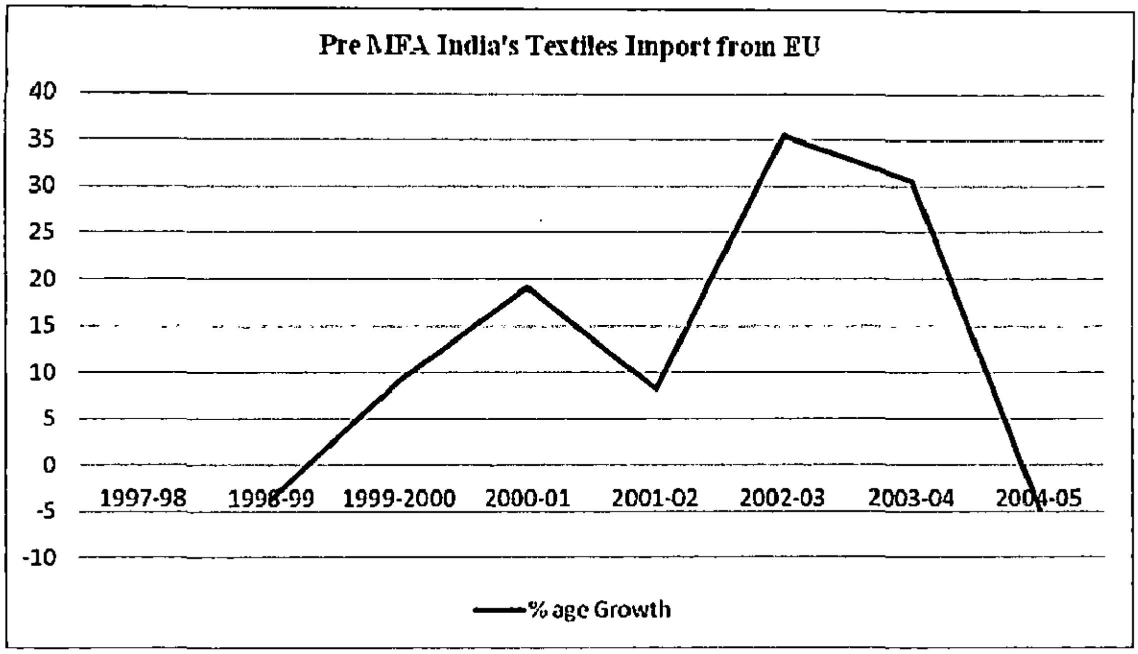
Year	Total (Rs crore)	% Growth
1997-98	437.3905	Nil
1998-99	421.5832	-3.61
1999-2000	460.4056	9.21
2000-01	548.6217	19.16
2001-02	593.7194	8.22
2002-03	804.368	35.47
2003-04	1050.0513	30.54
2004-05	999.2375	-4.83

Source: Ministry of Commerce & Industry, Government of India

Note: % growth is calculated on the basis of immediate previous year

Table 5.6.5 determines the performance of India's import of textiles from EU before the phase-out of MFA. It notes an increasing trend of percentage growth from 9.21% in 1999-2000 to 30.54% in 2003-04. It can also be discerned that the growth of India's textile import from EU declined by 4.93% in 2003-04 and fall to negative in 2004-05.

Figure 5.6.C



The data given in table 5.6.5 is also represented with the help of Figure 5.6.C . This chart illustrates the trend of percentage growth in India's textile imports from EU before the phase-out of MFA.

Table 5.6.6

Post MFA India's Textile Import from EU

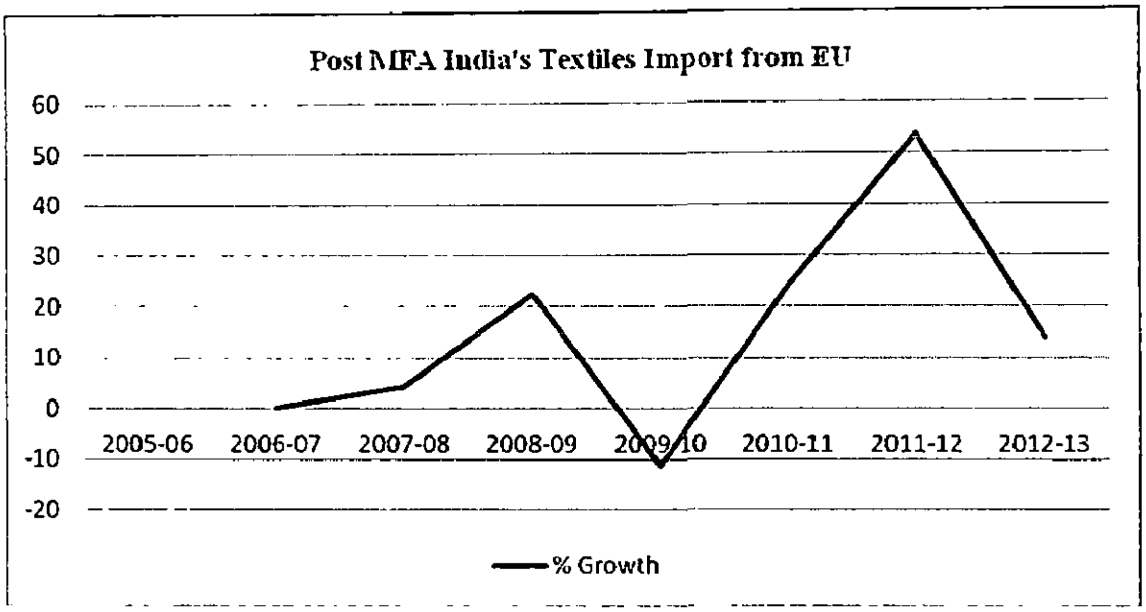
(HS Code from 50 to 63)

Years	Total (Rs crore)	% Growth
2005-06	1156.664	Nil
2006-07	1157.4062	0.06
2007-08	1208.4041	4.40
2008-09	1479.387	22.42
2009-10	1312.9738	-11.25
2010-11	1630.5181	24.19
2011-12	2,505.81	53.68
2012-13	2852.5577	13.84

Source: Ministry of Commerce & Industry, Government of India

Table 5.6.6 substantiates the performance of India's import of textiles from EU after the phase-out of MFA. According to the data, India's textile import from EU in post MFA period increased upto 2008-09 but it declined after 2008-09 and became negative in 2009-10.

Figure 5.6.D



The data given in table 5.6.6 is also represented with the help of Figure 5.6.D . This chart represents shifts of percentage growth in India's textile imports from EU after the phase-out of MFA.

Hypotheses 2: Testing the variation in India's Textile Import from EU between Pre and Post MFA Period.

H_0: There is no significant variation in India's Textile Import from EU between Pre and Post MFA phase-out.

H_1: There is a significant variation in India's Textiles Import from EU between Pre and Post MFA phase-out.

The above hypothesis is designed to test if there is any significant variation in India's Textiles Import from EU between Pre and Post MFA phase-out.

Table 5.6.7

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pre MFA	664.4222	8	253.81138	89.73587
	Post MFA	1662.9651	8	654.79790	231.50602

This table indicates the mean value, Std. Deviation of Pre MFA India's Textile Import (Mean= 664.4222, Std. Deviation= 253.81138) and Post MFA India's Textiles Import from EU (Mean=1662.9651, Std. Deviation=654.79790). The above table reads that the Post MFA India's Textile Import from EU has the highest mean value of 1662.9651 and Standard Deviation of 654.79790. This clearly denotes a significant variation in India's Textiles Import from EU after the phase-out of MFA.

Table 5.6.8

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	Pre MFA Post MFA	-998.54296	424.56554	150.10659	.-1353.48864	-643.59729	-6.652	7	.000

According to the data, the t-value is -6.652 and significant value (2 tailed) is 0.000 which is less than 0.05 (95% CI), which indicates that the variation in India's textiles import from EU is highly crucial between Pre and Post phase-out of MFA. Hence, the alternative hypotheses that **There is a significant variation in India's Textiles Import from EU between Pre and Post MFA phase-out** stands accepted and the null hypotheses is rejected.

5.7. Performance of EU's FDI in Indian Textile Industry

Table 5.7.9

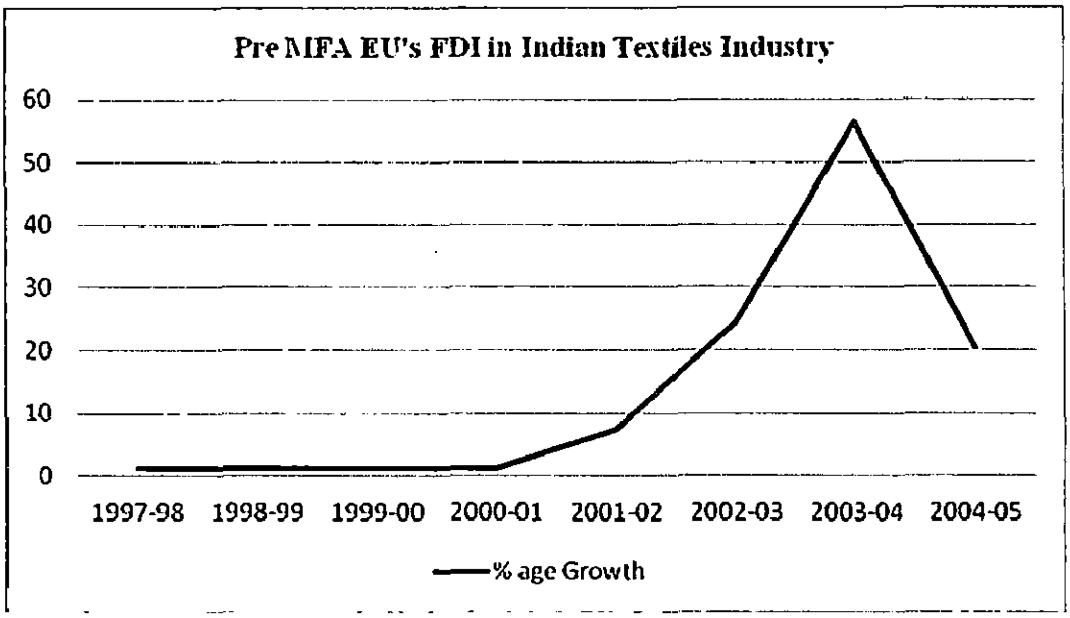
Pre MFA EU's FDI in Indian Textile Industry

Year	FDI (Rs crore)	% Growth
1997-98	1.20	Nil
1998-99	1.23	2.5
1999-2000	1.26	2.44
2000-01	1.26	0
2001-02	7.42	488.89
2002-03	24.48	229.92
2003-04	56.44	130.56
2004-05	20.24	-64.14

Source: Ministry of Textiles, Government of India (FDI Cell)

Table 5.7.9 divulges the performance of investment by EU in Indian textiles industry before the phase-out of MFA. The data indicates that the investment by EU in Indian textile industry remained almost stagnant till 2000-01. It registered an impressive growth of 488.89 % in 2001-02 but the same percentage growth began to observe a declining trend and entered a negative phase in 2004-05.

Figure 5.7.E



The data given in table 5.7.9 is also illustrated in the form of Figure 5.7.E. This chart illustrates the trend of percentage growth in EU's FDI in Indian textiles industry before the phase-out of MFA.

Table 5.7.10

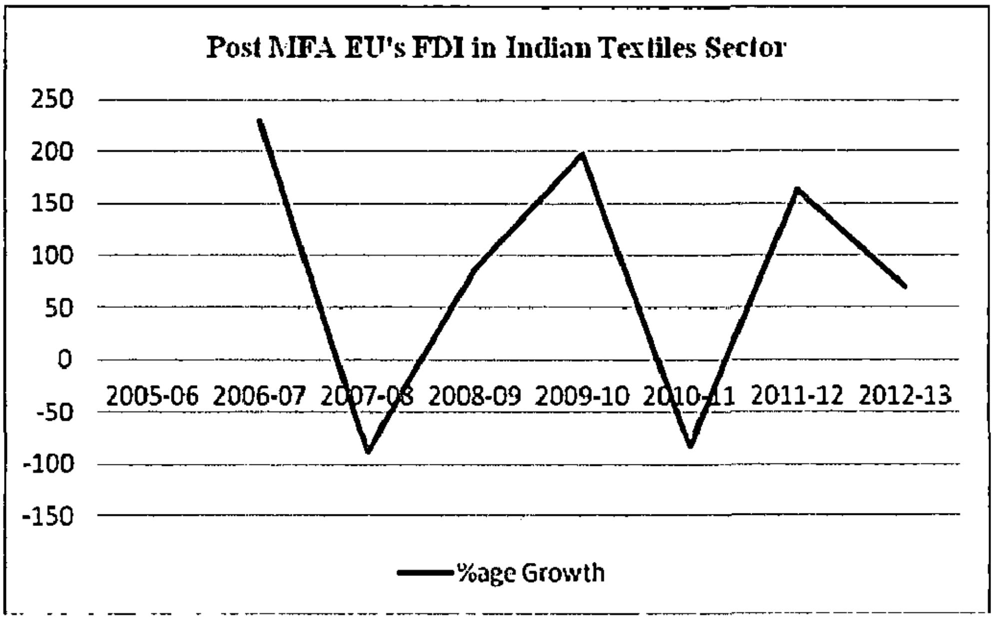
Post MFA EU's FDI in Indian Textile Industry

Year	Investment (Rs crore)	% Growth
2005-06	109.94	Nil
2006-07	362.32	229.56
2007-08	42.75	-88.20
2008-09	79.95	87.02
2009-10	237.96	197.64
2010-11	39.61	-83.35
2011-12	104.25	163.19
2012-13	176.7	69.49

Source: Ministry of Textiles, Government of India (FDI Cell)

Table 5.7.10 elucidates the performance of FDI by EU in Indian textiles industry after the phase-out of MFA. As per the table EU's FDI in Indian Textile industry improved in 2006-07 but it declined steeply to -88.20% in 2007-08. It further improved in 2009-10 and 2011-12. The year 2010-11 witnessed a negative growth, whereas 2012-13 experienced a declining trend.

Figure 5.7.F



The data given in table 5.7.10 is also typified with the help of Figure 5.7.F. This chart shows the trend of percentage growth in EU's FDI in India textiles industry after the phase-out of MFA.

Hypotheses 3: Testing the significant variation in EU's FDI in Indian Textile Industry between Pre and Post MFA Period.

H_0: There is no significant variation in EU's FDI in Indian Textile Industry between Pre and Post MFA phase-out.

H_1: There is a significant variation in EU's FDI in Indian Textile Industry between Pre and Post MFA phase-out

This hypothesis is designed to examine whether there is any significant variation in FDI of EU in Indian Textiles Industry between Pre and Post MFA phase-out.

Table 5.7.11

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pre MFA	14.1912	8	19.43654	6.87185
	Post MFA	144.1850	8	110.55219	39.08610

This table renders the Mean Value and Std. Deviation of EU's FDI in Indian Textiles Industry in Pre MFA period (Mean= 14.1912, Std. Deviation=19.43654) and in Post MFA period (Mean=144.1850. Std. Deviation= 110.55219). According to the data Post MFA FDI in Indian Textile Industry has the highest mean value of 144.1850 and Std. Deviation of 110.55219. This indicates that the FDI of EU in Indian Textile Industry increased after the phase-out of MFA.

Table 5.7.12

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			
Pair 1	Pre MFA Post MFA	-129.99375	116.54554	41.20507	-227.42826	-32.55924	-3.155	7	.0

The t-value -3.155 and significant value (2 tailed) 0.016 which is less than 0.05 (95% CI) confirms that there is significant variation in investment of EU in Indian Textiles Industry between Pre and Post MFA phase-out. Hence, the alternative hypotheses that **there is a significant variation in EU's FDI In Indian Textile Industry between Pre and Post MFA phase-out** stands accepted and the null hypotheses is rejected.

Hypothesis 4: Testing the Impact of EU's FDI in Indian Textile Industry on India's Textile Export to EU in Pre MFA Period.

Ho: There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textile Export to EU before MFA phase-out.

H1: There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textile Export to EU before MFA phase-out.

Table 5.7.13

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752[a]	.565	.493	2435.65976

a. Predictors: (Constant), EU's FDI in Indian Textiles Industry

The above Model Summary table exhibits the correlation(R) between the two variables EU's FDI in Indian Textiles Industry and India's Textiles Export to EU in Pre MFA period. The coefficient of determination (R Square) that is 0.565 proves that about 56.5% of the variation in India's Textiles export to EU is due to EU's investment in Indian Textiles Industry in Pre MFA period. On the bases of the correlation coefficient R that is 0.752, it can be concluded that EU's FDI in Indian textile industry is positively correlated with India's textile export to EU in Pre MFA period.

Table 5.7.14

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46320811.185	1	46320811.185	7.808	.031[a]
	Residual	35594630.915	6	5932438.486		
	Total	81915442.100	7			

a. Predictors: (Constant), Pre MFA EU's FDI in Indian Textiles Industry

b. Dependent Variable: Pre MFA India's Textiles Export to EU

The above ANOVA table presents the Sig-value ('Sig' for 'significance') of the predictor's effect on the Criterion variable. Sig-value less than 0.05 is generally considered "Statistically Significant".

Table 5.7.15

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	14488.229	1092.404		13.263	.000
	Pre MFA EU's FDI in Indian Textiles Industry	132.349	47.364	.752	2.794	.031

a. Dependent Variable: Pre MFA India's Textiles Export to EU

The above coefficient table demonstrates the beta coefficient for the actual regression equation. The unstandardised beta coefficient is 132.349 which signifies that there is a positive impact of EU's FDI in Indian Textiles Industry on India's Textiles Export to EU in pre MFA period. The Sig-value is 0.031 which is less than 0.05 makes this impact effective. Thus alternative hypothesis stands to be accepted.

Hypothesis 5: Testing the Impact of EU's FDI in Indian Textile Industry on India's Textile Export to EU in Post MFA period.

H_0: There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textile Export to EU after MFA phase-out.

H1: There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textile Export to EU after MFA phase-out.

Table 5.7.16

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.098[a]	.010	-.155	9483.28505

a. Predictors: (Constant), Post MFA EU's FDI in Indian Textiles Industry

The above Model Summary table records the correlation(R) between the two variables i.e. EU's FDI in Indian Textiles Industry and India's Textiles Export to EU in Post MFA period. In the above model summary table the coefficient of determination (R-Square) is 0.010 which owes that about 10% of the variation in India's textiles export to EU is due to EU's FDI in Indian textiles industry in Post MFA period. The correlation coefficient is 0.098 which makes it conclude that the relationship between EU's FDI in Indian textile industry and India's textile export to EU in post MFA period is not impressive.

Table 5.7.17

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5269955.543	1	5269955.543	.059	.817[a]
	Residual	5.396E8	6	89932695.262		
	Total	5.449E8	7			

a. Predictors: (Constant), Post MFA EU's FDI in Indian Textiles Industry

b. Dependent Variable: Post MFA India's Textiles Export to EU

Table 5.7.18

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	38308.571	5752.851		6.659	.001
	Post MFA EU's FDI in Indian Textiles Industry	-7.849	32.422	-.098	-.242	.817

a. Dependent Variable: Post MFA India's Textiles Export to EU

The unstandardised beta coefficient in the above coefficient table is -7.849, which suggests a negative impact of EU's FDI in Indian textiles industry on India's textiles export to EU after the phase-out of MFA. Sig-value is 0.817 which is greater than 0.05 which sets that this impact is not significant in Post MFA period. Thus null hypothesis stands to be accepted.

Hypothesis 6: Testing the Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU in Pre MFA period.

Ho: There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU before MFA phase-out.

H1: There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU before MFA phase-out

Table 5.7.19

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882[a]	.778	.742	129.02737

a. Predictors: (Constant), Pre MFA EU's FDI in Indian Textiles Industry

The above model summary registers the coefficient of determination (R Square) 0.778 which specifies that a variation of 77.8% in India's textiles import from EU is due to EU's FDI in Indian textiles industry during Post MFA period. The coefficient of correlation 0.882 corroborates considerable relationship between EU's FDI in Indian textile industry and India's textile import from EU before the phase-out of MFA.

Table 5.7.20

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	351053.127	1	351053.127	21.087	.004[a]
	Residual	99888.375	6	16648.063		
	Total	450941.502	7			

a. Predictors: (Constant), Pre MFA EU's FDI in Indian Textiles Industry

b. Dependent Variable: Pre MFA India's Textiles Import from EU

Table 5.7.21

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	500.914	57.869		8.656	.000
	Pre MFA EU's FDI in Indian Textiles Industry	11.522	2.509	.882	4.592	.004

a. Dependent Variable: Pre MFA India's Textiles Import from EU

The unstandarised beta coefficient in the above table is 11.522. This coefficient guarantees a positive impact of EU's FDI in Indian textile industry on India's textile import from EU before the phase-out of MFA. The Sig-value 0.04 which is less than the significant value 0.05 sanctions that the impact is significant. Thus alternative hypothesis stands to be accepted.

Hypothesis 7: Testing the Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU in Post MFA period.

Ho: There is no significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU after MFA phase-out.

H1: There is a significant Impact of EU's FDI in Indian Textile Industry on India's Textile Import from EU after MFA phase-out.

Table 5.7.22

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.117[a]	.014	-.151	702.37850

a. Predictors: (Constant), Post MFA EU's FDI in Indian Textiles Industry

In the above model summary table R Square is 0.014 which shows credits the variation of 14% in India's textile import from EU is due to EU's investment in Indian textiles industry in Post MFA period. Correlation coefficient 0.117 approves no strong relationship between EU's investment in Indian textile industry and India's textile import from EU after the phase-out of MFA.

Table 5.7.23

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41308.685	1	41308.685	.084	.782[a]
	Residual	2960013.339	6	493335.557		
	Total	3001322.024	7			

a. Predictors: (Constant), Post MFA EU's FDI in Indian Textiles Industry
b. Dependent Variable: Post MFA India's Textiles Import from EU

Table 5.7.24
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1763.155	426.084		4.138	.006
	Post MFA EU's FDI in Indian Textiles Industry	-.695	2.401	-.117	-.289	.782

a. Dependent Variable: Post MFA India's Textiles Import from EU

In the above table, the unstandardised beta coefficient -0.695 points to the negative impact of EU's investment in Indian textiles industry on India's textiles import from EU after the phase-out of MFA. The Sig-value in the above coefficient table is 0.782 which is greater than the significant value 0.05. It approves that the impact is not significant. Thus the null hypothesis stands to be accepted.

5.8 Summary of Hypothesis Testing

Table 5.8.25 and 5.8.26 presents summary of hypotheses that were formulated for the present study and the results obtained after analyses of data.

Table 5.8.25

Summary of Results of Hypothesis Testing- Paired Samples t-test

Hypotheses	Variables	t- value	Sig. (2 tailed)	Result
H_{01}	India's textiles export to EU	-10.388	0.000	Rejected
H_{02}	India's textiles import from EU	-6.652	0.000	Rejected
H_{03}	EU's FDI in Indian textiles Industry	-3.155	0.016	Rejected

*At 95% Confidence Interval

Table 5.8.26

Summary of Results of Hypothesis Testing- Linear regression

Pre MFA				
Hypothesis	**Independent Variable**	**Dependent Variable**	**Sig**	**Result**
H_{04}	EU's FDI in Indian Textiles Industry	India's Textiles Export to EU	**0.031**	**Rejected**
H_{06}	EU's FDI in Indian Textiles Industry	India's Textiles Import from EU	**0.004**	**Rejected**
Post MFA				
H_{05}	EU's FDI in Indian Textiles Industry	India's Textiles Export to EU	**0.817**	**Accepted**
H_{07}	EU's FDI in Indian Textiles Industry	India's Textiles Import from EU	**0.782**	**Accepted**

5.9 Conclusion

The present chapter comes to an end with the analyses and interpretation of the data collated. Statistical tools applied in the present chapter have been defined briefly. The hypotheses generated to assess the variations in textiles trade between India and EU in Pre and Post MFA period and gauge the impact of MFA phase-out on textiles trade between India and EU have been stated along with their alternative hypotheses. The test results have also been mentioned with the help of tables. On the basis of the results it can be concluded that some hypotheses were accepted whereas some were rejected.

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Chapter-6

Chapter 6

FINDINGS, CONCLUSIONS AND SUGGESTIONS

The present study has reviewed the available literature, the methodology has been defined and literature review identified the areas for improvement and how making the changes would improve the Textile trade relations between India and EU.

6.1 Findings

As mentioned earlier the broad objectives of the present study were to find out the impact of MFA phase-out on textile trade between India and European Union (EU). The data and information gathered on the present research problem through secondary sources has been presented in previous chapter. The statistical data has also been analysed by the application of statistical tools and has been critically commented. The logical inferences drawn have been used to testify the hypothesis generated for the present study. The present chapter embraces the important findings and final conclusions drawn. In addition to findings and conclusions, suggestions are also offered as measures for improving and strengthening the textile trade relations between India and EU. Moreover suggestions are also offered to enable Indian textile industry to keep pace with the rapid changes taking place in international market regarding product, services, quality and adoption of modern technology in order to strengthen its production base and its trade relations with other nations. Based on data analysis and hypothesis testing following findings are generated:

- To find out the significant variations in India's textiles export to EU between pre and post MFA phase-out, Paired Samples T-test has been used. The researcher noticed a significant change in India's export to EU, it indicates that the removal of quotas stimulated this labour-intensive sector to increase its productivity in India. Moreover this led to the allocation of productive resources more efficiently as compared to the pre-MFA period. Furthermore the removal of quotas led an increment in the output level of textile and clothing sector in India, whereas the output level decreased in EU countries.
- India's textile import from EU also increased after the phase-out of MFA. Because of the elimination of quotas buyers were free to buy any amount of textile and apparel from any country. However, the amount of India's import of textiles from EU was reportedly less than the amount of exports. Because of decline in output level of textile and clothing in EU nations. After the phase-out

of MFA, India began to be exporting more of textiles and clothing products than EU countries.

- To find out the variations in EU's FDI in Indian textile industry between pre and post MFA phase-out, Paired samples t-test was employed. Significant changes are observed between pre and post MFA phase-out. As, EU had diversified into investment in other countries, its investment in Indian textiles industry went on declining past 2005. After 2005 it started making investment in other countries more than in India because India has a significant cost disadvantage in manufacturing of cotton yarn, man-made yarn, cotton fabric and man-made fabric (ICRA Management Consulting Services Ltd, June 2009). In addition to this, Indian T&C manufacturers and exporters have to incur additional cost on non- refund of state level taxes and duties, anomaly in duty drawback rates; the rates are insufficient to neutralize the incident of all duties and high transaction costs (ICRA Management Consulting Services Ltd, June 2009).Lack of infrastructural facilities also discourages foreign investors to invest in India.

- To measure the impact of EU's FDI in Indian Textiles Industry on India's textiles export to EU before the phase-out of MFA Simple linear regression model was applied. Before the phase-out of MFA, the investment by EU in Indian Textiles Industry was not much impressive and was almost stagnant in some years, but its impact on India's textiles export to EU was significant.

- Impact of EU's FDI in Indian Textiles Industry on India's textiles export after the phase-out of MFA was analysed by applying simple linear regression model. After the removal of quotas i.e. after 2005, EU's investment increased, but this increment was not affecting. As far as the impact of EU's FDI on India's textiles export is concerned, it is insignificant after the phase-out of MFA.

- In order to analyse the impact of EU's FDI in Indian Textiles Industry on India's textiles import from EU before the phase-out of MFA, simple linear regression model was brought into use. The researcher found that both the relationship between EU's FDI in Indian Textiles Industry and India's textiles imports from EU, and the impact of EU's FDI on India's textiles import from EU are considerable.

- It is observed that India's textiles import from EU in post MFA period has no strong relationship with EU's FDI in Indian Textiles Industry. Though EU's investment in Indian Textile Industry increased after the removal of quotas but as far as its impact on India's textiles import to EU is concerned, it is negligible.

6.2 Initiatives Taken by Government of India

In last few years, Ministry of Textiles of Government of India has taken various attractive policy initiatives with the objective of accelerating the growth and enhancing the competitiveness of Indian Textiles Industry. The schemes launched by GOI are discussed below:

- **Technology Up gradation Fund Scheme (TUFS)**

  The Technology Up gradation Fund Scheme was launched by GOI on 01.04.1999 (Ministry of Textiles, GOI). It was launched for a period of five years but subsequently extended upto March 31, 2007. Recently this scheme has been extended for the entire 12th Plan Period. The main objective of this scheme is to provide financial support to textiles industry in the form of working capital, reduction of transaction cost, etc. it helps the textiles industry to expend its domestic market as well as to increase its share in global market by way of technology upgradation, cost effectiveness, good quality production and global competitiveness.

- **Scheme for Integrated Textiles Park (SITP)**

  The Scheme for Integrated Textiles Park was launched by GOI in 2005 to remove the infrastructural bottleneck in Textiles Sector. The main objective of this scheme is to facilitate the textiles sector with State of the art world-class infrastructure facilities by creating textile parks of international standards.

- **Integrated Processing Development Scheme (IPDS)**

  On the basis of the experiences of ITP and challenges faced by the textiles processing sector, GOI formulated a new scheme as Scheme for Integrated Processing Development (IPDS). The main purpose behind the launch of this scheme is to make the textiles industry globally competitive by using environmentally friendly processing standards and technology. The scope of this scheme embraces waste water treatment, power generation and R&D for clean and safe technology. (Ministry of Textiles, GOI)

- **Textile Workers' Rehabilitation Fund Scheme (TWRFS)**

  Like other industries, textiles industry of India is facing the problem of sickness. Keeping in view the consequences of sickness and closure of textiles unit, GOI launched Textile Workers' Rehabilitation Fund Scheme in 1986. The main purpose behind the launch of this scheme is to provide relief to textiles workers get unemployed due to closure of any particular portion or entire textiles unit.

- **Technology Mission on Technical Textiles (TMTT)**

  In 2007, Prime Minister Dr. Manmohan Singh announced the Technology Mission on Technical Textiles under the XI Five Year Plan (Ministry of Textiles, GOI). The main objectives of this scheme is to make available the raw material, making technical textiles products globally competitive, R&D for product development, technology upgradation, enhance export, financial support for developing capital infrastructure and focus on key technical textile segments.

- **Integrated Skill Development Scheme (ISDS)**

  Indian Textiles sector is the second largest sector after agriculture in terms of employment. This sector provides employment to both skilled and semi-skilled workers. With a view to enhance the competitiveness of textiles sector, GOI provides vocational training for skill upgradation of the existing workers engaged in textiles industry under the Integrated Skill Development Scheme.

- **Export Promotion Councils (EPC)**

  GOI has introduced many promotion councils with a view to increase the share of India's export in international market. Measures in the form of Export Promotion Councils take by GOI are as under:

  - Cotton Textile Export Promotion Council
  - Handloom Export Promotion Council
  - The Synthetic and Rayon Textile Export Promotion Council
  - Indian Silk Export Promotion Council
  - Wool and Woolen Export Promotion Council
  - Carpet Export Promotion Council

- Export Promotion Council for Handicrafts
- Powerloom Development & Export Promotion Council
- Wool Industry Export Promotion Council

6.3Conclusion:

Textile and clothing walk hand in hand in terms of technology and trade policy. Textiles provide input base to clothing industry, creating vertical linkage between the two. International trade in these two sectors is regulated by the Agreement on Textiles and Clothing (ATC) at the multilateral level, while bilateral and regional trade agreements create a linkage between the two sectors on the bases of rules of origin accompanying preferential market access.

It is the industrialization that made textile and clothing industry as one of the most prominent sector of international trade both for developed and developing countries. Economic history of Britain reveals that in the 18^{th} century the cotton mills of Lancashire in Britain was associated with the first industrial revolution of the world (Uddin & Jahed, 2007)

Over the last 200 years or more many countries have used textiles and clothing industry as a tool for growth and economic development. This sector possesses greater importance specially for developing and least-developed countries like for India it is the second largest source of employment after agriculture. The textile and clothing industry is labour-intensive in nature so it offers entry-level jobs for unskilled labours in developing and least-developed countries. Moreover this sector can easily adopt relatively modern technologies and changes therein at relatively low investment costs. The textiles and clothing sector proves to be a prominent sector for developing countries as it is labour intensive, low wage industry and a dynamic, innovative sector.

This sector is large and diverse enough that can be subdivided into distinct parts that offer opportunities for countries with differing resource endowments. The trade in textile and clothing has been governed by number of quantitative restrictions. There are many factors that made this sector strategic for both developed and developing countries. The trade in textile and clothing reveals many disputes resulting from a shift of international division of labour. Developed countries used many quantitative weapons in order to protect their domestic market from external competition. Actually

Textile and clothing exports account for approximately one-third of less-developed countries manufactured exports and in some countries, more than one-half (Aggarwal, 1983)

Quotas and restrictions to discourage international trade in certain goods are not new and have existed for a long period, but in no sector have they been so common and widely applied as in textiles and clothing sector.

In United States (US) the early quantitative restrictions that affected the trade in textiles and clothing were in the form of agricultural policy that restricted the import of cotton. With a view to protect domestic cotton producers US came to an end with a bilateral agreement with Japan (one of the county's major foreign supplier of cotton and cotton textiles) that restricted Japan's exports of textile to US. In Europe, quantitative restrictions covered the imports of most of the textiles and clothing sector. In order to protect domestic textiles market, developed countries especially US formed a formal forum. This forum gave birth first to 'Short Term Cotton Agreement' and second 'Long Term Cotton Agreement' regarding trade in textiles.

These agreements were mainly between the US and various key suppliers of man-made fibre products and products of wool. The main purpose of these agreements was to restrict the exports to US by key suppliers in order to control the market disturbances. Initially this approach provided some relief, but its fragmented nature made it a tough policy tool in the long run (Naumann, 2006)

Long term cotton agreement underwent several changes and finally replaced by MFA in 1973. It came into action in 1974 and expended the coverage of product range of LTA. MFA also underwent several renewals and its scope was progressively broadened to include all types of fibres. One of the most important achievements of Uruguay Round was the Agreement on Textiles and Clothing (ATC) that integrated MFA restricted goods with GAAT disciplines. Under this liberalization process, MFA quota-regime started phasing-out gradually over a period of ten-year, started from 1995 and ended on 1st Jan 2005. At the time of phase-out of MFA an important question came into light whether India would gain or lose. Removal of quota regime opened opportunity doors for India to exploit the vast untapped potential of its textile and clothing sectors.

The foregoing discussion and analysis lead to the conclusion that with the removal of quantitative restrictions especially after 2002, India's textile and clothing exports grew at an impressive rate for the period 2002-2007 with growth in world trade in T&C. As India is an important trade partner of EU, it accounts for about two third of India's textiles export. The trade of goods between these two nations has been strong. India exports a number of products to the EU. Textile and clothing occupies an important place. India's export of textiles and clothing increased after 2004 whereas quantitative restrictions on textiles export stood discontinued. Undoubtedly, that India's export growth is slow in comparison to that of China but at the same time it is impressive too because this growth occurred under the dark shadow of the factors that were considered as obstacles in Indian production in textiles and apparel: technological obsolescence, fragmented capacities, low scales of operation, lack of an exit policy and rigid labour laws.

Besides, emerging as the biggest gainer among the South Asian countries after the phase-out of MFA, India also became the leading textiles exporter to EU. The data in table 5.5.1 and table 5.5.2 reveals showing fluctuating trend, the reason may be that in spite of the fact that all quotas have been completely removed, Indian textiles exporters are still facing trade barriers from EU. Indian exporters are of the view that in EU the speed of liberalization is very slow especially in case of those products where India holds a trade interest. Moreover in certain nations of EU, Indian textiles and clothing products are bearing the burden of additional technical barriers in the form of strict technical standard requirements not comparable with the price and functional use of these items. Apart from these factors, there are other reasons as well which act as barrier to the export of Indian textiles in international market. In the year 2007-08, Indian textiles export faced a sharp decline because of appreciation in Indian rupee visa-vis the USD. Since 2008, Indian textiles export has continued to decline. The main reason for this decline was the global meltdown and economic slowdown in international market. No doubt India is efficient in textiles productions but if we look towards the condition and working system of Indian Textiles Industry inside out, we find various deficiencies. India lays so much emphasis on the export of cotton textiles and synthetic textiles come second. There are only few items that dominate the export basket of India. Women's outerwear contribution of 40% of the total and men's of accounts 20%, are the two main items that dominates India's textiles exports

(Ramachandran, 2001) .Other textiles items are not in regular export. India's unimpressive investment in state-of-the-art, is the another reason for India's low export competitive spirit.

India possesses the largest number of looms to weave fabrics, comprising 64% of the world's installed looms (Shetty, 2013, p. 277-284). But most of the looms are dominated by handloom and power loom sectors, which largely use old equipments and outdated technologies thus resulting in low quality products.

As far as India's textiles import from EU is concerned, it is many times lower than that of exports. The reason is India itself has a strong base of textiles and clothing. Indian textile industry is one of the key textile industries in the world. Though few years back, this industry was unorganized but after the economic liberalization in 1991, the scenario of Indian textiles industry stated a change. The opening up of economies made Indian textiles industry one of the largest textile industries in the world. It comprises of the unique position as an autonomous industry from the production of raw materials to the dispatch of final products.

Though India has a rich textiles base and enjoys good textiles trade relations with EU but still the position of EU's investment in Indian textiles industry is not satisfactory. There is no noticeable change in investment pattern of EU in Indian textiles industry after the phase-out of MFA. The situation is almost the same as before the phase-out of MFA. EU investors experience lots of problems in doing business with India on account of long legal procedures, licensing policies, bureaucratic hurdles, high tariffs, lack of transparency, limitations for investment in Indian Equity by Foreign companies and so on. All these limitations act as barriers to attracting FDI from EU in Indian textiles industry.

During the last two decades, EU emerged as one of India's major trading partners. As far as Indian textiles trade pattern with EU is concerned the situation is favorable. India's textile trade with EU has significantly increased after the phase-out of MFA as many others EU members have entered into trade agreements with India after the phase-out of MFA.

6.4 Suggestions

Though India and EU are enjoying cordial relations but still textile trade relations between these nations need significant developments especially in the areas of investment. India is experiencing fluctuating trade balance with EU even after the phase-out of MFA. In order to normalize this fluctuation, India has to make significant efforts to increase its export to EU. EU being the well-off and fashion oriented society where the consumers often act under the strong demonstrating effects can be tapped. On the other hand, Indian textile industry with the accumulated experience of centuries can definitely achieve this target. Hence, there seems a total horizon of opportunities in the form of twenty seven member countries of EU for Indian exporters. However, in order to seize and capitalize this opportunity and encourage EU to invest in Indian textile industry, Indian exporters need to sharp their skills. In this process of improvement, certain suggestions discussed below may prove to be instrumental:

1. **Investment in Textiles Research:**

   Active participation should be made to encourage investment in textiles research. Apart from cotton there are number of areas which still want advanced research like technical textiles, high performance fabrics, among others. Government of India should provide financial supports to the institutions engaged in the work of research and development. This active participation will improve the quality and productivity of cotton for high cost of cotton is one of the main reasons of uncompetitiveness of India's textiles exports..

2. **High Quality Products:**

   EU member nations are affluent and quality conscious. They are further benefited because of the highly developed textile of U.K., Germany, Luxembourg, Italy and other influential countries besides having a vast pool of suppliers from different countries with plethora of variety to choose. Indian exporters therefore need to improve their level of quality of textile products. They have to be very careful right from processing the raw material to the production of finished output and even the packaging. EU is a society where the customers, if satisfied with the quality of the products, can pay any price. Though our textile exporters are satisfied with the quality they are providing but still there is a need of quality improvement, which would pay the Indian textile exporters in the long run to earn goodwill and execute larger trading orders.

3. **Cost Competitiveness:**

Textiles is said to be labour intensive industry. India being the country with huge population is presumed to have the advantage of no- labour cost and consequently, low cost of production. However, on the practical aspect, the cost of production is very high. Moreover, ordinary technology, wastage due to electricity failures, strikes and lockouts among other factors further intensify the cost. Thus Indian exporters are supposed to take care of these factors and control the cost. Many of the competitors like China and Bangladesh are supplying their low cost produce to the low income group consumers. This segment of the market is very gainful at EU and therefore Indian exporters have to complete counterparts by maintaining the cost of their products.

4. **Investment in Training:**

No doubt India has a vast pool of skilled and unskilled labour force, but this labour force lags behind in terms of training. So inorder to get maximum and quality work, investment in advanced training programmes is needed. Proper training should also be provided to handloom weavers, handicraft artisans and jute artisan so that they can produce diversified and innovative products and can improve the quality of their work to meet the changing trends in international market. This will be an accretion to the export of Indian textiles to EU market.

5. **Infrastructure:**

In India the availability of power is very crucial. In India the states where a considerable section of textiles industry is located are facing the problems of poor supply and a very high cost of power because of high road tax and high excise duty on fuel oil. So inorder to compete in a quota-free trade scenario and strengthen its textiles trade relations with EU, India is required to make improvement in infrastructure base, particularly availability of power to textile and clothing units. India should permit the key textiles and clothing areas to have a distributive generation model for power.

6. **Tariff and Non-Tariff Barriers:**

Tariff and non-tariff barriers act as stoppers in the way of trade. Though tariff barriers are there barriers but they are not so major as non-tariff barriers like technical standards, governmental standards and certification, which contributes to a decline in trade. Indian exporters are continuously facing these types of barriers along with strict regulation regarding packaging and labeling in EU market. EU should work to remove these barriers with good cooperation and coordination. If EU reduces these barriers, it will lead to an increment in textile exporters from India.

7. **Proper Segmentation:**

As EU is the largest Union with 27 member nations, it is impossible to approach the whole market in a single stroke and get satisfactory results. So in order to meet the specification of different group of consumers the whole EU market should be thoroughly segmented i.e. divided on the basis of country, culture, age, sex, and class. Later on the search should be made to find out the specification of different segments. These specifications then can easily be handled by the Indian exporters, as a result increasing their exports.

8. **Honouring Small Orders:**

There are various member nations of EU, like Luxembourg, Greece, Ireland, and other where India has little access. In order to penetrate these markets, it will be advisable for Indian exporters to initiate by honouring small orders first. By doing so Indian exporters can get larger orders.

As against this Indian exporters want to initiate with big orders and earn huge profits and therefore prefer the markets where they already have strong bold like, UK, Germany, and other promoting nations. Thus, they need to change their attitude and start honouring small orders as well.

9. **Adoption of New Technology:**

Indian textile industries are still running on outdated and obsolete methods and machines. Though modernization has taken place, we still lag behind. International market is full of strong players with latest technologies and if we want to stand in the market and face competition we have to update ourselves.

Thus, it makes necessary to transfer and adopt latest and selective technology. On the short run it causes heavy outflow of foreign exchange but in the long run the selective technological imports will fetch huge amount of foreign exchange.

The latest technology would enable are exporters to face and fight the closest textile competitors like China, Japan, etc. and also increase their share in the EU market. India should put extra focus to develop a strong technological base to attract foreign investors.

10. Dynamic:

World changes fast with time and so does the demand. Indian exporters should be dynamic and should have proper and thorough knowledge regarding the latest changes in the EU economy, demand, socio-economic situation, socio-political conditions, fashion trends, latest substitution, and other changes in the EU member countries and should be ready to adopt the changes and produce accordingly.

11. Banking and Insurance Facilities:

No exporting nations can have a breakthrough in the world markets without the synchronized efforts on the parts of its banks and insurance companies.

Our banks, as they are today, have yet to make their presence felt to the EU nations. Attempts have been made by Indian banks and other companies to enlarge their networks of overseas branches staffed by well informed, trained and well versed agents and employees who would be constantly on the lookout for opportunities and able to offer proper guidance and assistance to our visiting businessman and prospective exporters.

12. Single Window Approach:

The government of India has broadly categorized the products with long term with great precision. Special measures have been undertaken to secure their development and improvement to meet the international standards. Textile is one of their assistance. Attention has also been given for consolidating the position of the established export items in overseas markets. Under the single window market the government provides all the raw material, export credit and infrastructural facilities to the sectors so identified, at concessional rates. This would enable the exporters to produce high quality goods at a reasonable cost.

13. **Credit:**

India is considered to be a high cost economy due to its low productivity and high cost infrastructural banking.

Other countries provide export credit at a very low rate whereas in India the rate of interest on export credit is quite high. It is suggested that low cost credit, high quality raw material, at reasonable prices and appropriate infrastructural facilities should be provided to the exporters. This will enable them to be more competitive with improved quality and reduced cost of production.

14. **Technical Skills:**

Indian textiles industry lags behind in technically skilled manpower as compared to other countries. There are very little numbers of technical programmes to bring technological changes in the textile sector. Moreover Indian textile firms invest very little to provide training and guidance to their employees and ultimately this gives birth to unskilled and semiskilled labours. So initiatives should be taken to provide technical courses at graduate level. Moreover Indian textile firms should offer enough training and development programmes to sharpen the skills of the labour. India should focus on the development of human capital. This will lead to increased production and exporters will be able to strengthen their relations with EU member nations. Besides production and export, this will help India to attract more FDI in its textiles sector.

15. **Packaging:**

Packaging plays a very important role attracting the customers as well as preserving the products from breakage, spoilage or damages. Good and attractive packaging leaves lasting impression in the minds of the customers. Customers feel tempted to buy the product. Though India has made appreciable progress yet more efforts are to be made in export items in order to make them more attractively presented and safely reached to the overseas destinations. Once well packed, the customers, who are quality conscious, are ready to pay even higher prices.

16. Delivery Schedule:

Indian exporters lack value for time. They pay very little importance to punctuality and thus very little weightage to the delivery schedules, which loses their reputation and consequently mitigate the prospects of getting further orders.

A safe margin of time should be able to stick to the delivery schedule and satisfy the importers abroad.

17. Approach the service of specialized trading agencies:

In the selected countries many organizations provide the specialized services to facilitate smooth trading in the country. Indian exporters should seek their services too and make their presence felt in the market.

18. Regulatory Framework:

In India the duty structure is in favour of import of finished products. As far as the import of raw material is concerned, it is very discouraging. In order to increase the import, India should dismantle the regulations.

19. Incentive Packages:

India has allowed 100% FDI under automatic route in Textiles sector and no approval is required either from government or RBI. With a view to attract foreign investors, incentives packages in the form of concessions in taxes, capital, interest subsidies, land at concessional rate should be offered. This will encourage the EU investors to invest in different projects under textiles sector.

20. Business Environment:

If we talk in terms of business environment, India is not healthy, which is discouraging for doing business. Child labour, Labour market rigidity, lack of facilities at ports and airports, excessive bureaucracy, corruption, many such factors that discourage foreign investors to invest in India.

21. Merger and Acquisitions (M&As):

M&A is an important tool to attract FDI. Many Indian midsize companies in textiles sector are looking towards M&A with foreign companies. For the rapid growth of Indian textiles industry and to strengthen its relationship with EU, efforts should be made to upgrade the textiles engineering industry, technology transfer and promotion of joint venture. Inorder to achieve these objectives there should be a combination of routes like there should be a joint venture with EU textiles machinery manufacturers, technology transfer should be encouraged through the route of re-engineering. It would provide opportunities for the investors of both the nations to enter in each other's textiles market.

22. Export Promotion Council:

Export Promotion Councils have the responsibility towards industry, foreign market and individuals. These responsibilities focus on the council's primary objective of facilitating the Indian industries entry and exploitation of foreign markets. These councils encourage quality, low cost of production and fetch better prices in the market as well and serve the interests of domestic markets, industry and commerce. With a view to meet these responsibilities council must be permitted to develop and run their own programmes. Government of India has been continuously supporting textiles sector through various export promotion councils. All Indian textiles exporters should take the benefit from these promotion councils without contracting the interest of each other.

23. Protection of Intellectual Property Rights:

India should enter into technology licensing agreements with EU nations in order to import technological and managerial know-how. With the increased use of latest technologies, the importance of Intellectual Property Rights has also multiplied. India imports the technologies from the world's most developed countries through Foreign Direct Investment of multinational companies. Respect and protection of their IP rights is a mandatory for host country. As far as India is concerned, the protection of IP rights is very poor and because of this fact foreign investors are diversifying their investment in other countries particularly in China. If India put special focus towards IP rights protection comparable to China, it will attract more FDI and will be able to generate huge benefits for the economy and people.

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